Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel IS3.50	S.Arabia Rs6.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr[illegible]	Kuwait Fils500	Sweden SKr8.00
Egypt E£2.25	Lebanon $1.125.00	Switzerland SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan NT$85
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Thursday October 22 1987

D 8523 A

Yves Saint Laurent: Agitation in the fashion world, Page 28

World News | Business Summary

New British missiles will remain US property

Britain's Trident missiles would effectively remain US property under the 1980 Trident accord, unlike the present Polaris missile stock which is owned outright by Britain, it was disclosed.

Another consequence of the agreement on joint servicing of Trident missiles in Georgia was that *Britain's ability to test, assemble and service its strategic nuclear missiles would disappear.* Page 10

Shultz 'confident'

US Secretary of State George Shultz expressed confidence he would make progress on arms control today and tomorrow when he was due to meet Soviet leaders in Moscow. Page 24

Moscow fogbound

Moscow's three airports were closed for the third consecutive day because of heavy fog which enveloped the Soviet capital, leaving 20,000 passengers stranded. Visiting US Secretary of State George Shultz had to travel by train from Finland.

Salvador peace talks

Salvadorean Government and rebel leaders gathered at a Venezuelan military base to open peace talks, with both sides saying their negotiating positions were far apart.

Space challenge

French President Francois Mitterrand said Europe had the technical know-how to challenge the US in the space race but appeared to lack the political will.

Spanish rift grows

Growing estrangement between Spain's Socialist Government and its "fraternal" trade union, the Union General de Trabajadores, gathered pace as two *union leaders decided to resign* from Parliament in protest against the Government's budget proposals. Page 4

EC storms aid

Aid amounting to Ecu900,000 ($1.03m) would be distributed among EC members hit by storms last week, the European Commission announced. A third of the money would go to Britain and France, Portugal and Spain would share the rest.

Sikh militants seized

Security precautions were stepped up throughout north-west India in an attempt to curb activities by Sikh extremists who killed 11 people in New Delhi suburbs in advance of a major rally in the Sikhs' Golden Temple in *Amritsar* today. Page 6

Family planning urged

President Daniel Arap Moi said *he might sack civil servants* who had too many children because they should set an example on family planning in Kenya where the population is growing at between 3.8 and 4 per cent a year.

Tiger surrender urged

Indian forces besieging Jaffna in northern Sri Lanka renewed appeals to trapped Liberation Tigers of Tamil Eelam to surrender their weapons, dropping leaflets over rebel areas. Page 6

Austrian protest

About 9,000 Austrian students protested outside Chancellor Franz Vranitzky's office in Vienna as their strike against government policy on higher education entered its second day.

Iran to 'get even'

Iran said it was determined to "get even" with the US following the American attack on Monday on two Iranian oil platforms in the Gulf - then "call it quits." Page 6

Nobel economics prize

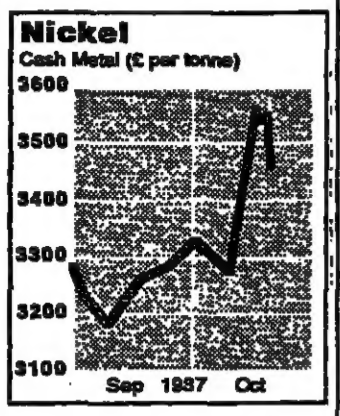
Robert M. Solow of the Massachusetts Institute of Technology won the Nobel Memorial Prize in Economic Sciences for showing the importance of technology in economic growth. Page 8

BBC plans to float commercial enterprises

BRITISH Broadcasting Corporation plans to float part of its commercial operation as part of a wide ranging five-year plan to cut costs and increase revenue. The sale of a stake in BBC Enterprises could raise £100m ($165m). Page 10

MORGAN STANLEY, blue-chip *Wall Street investment firm*, reported a doubling of net income in the three months to September and said it had ridden the turmoil in the stock market without serious mishap. Page 25

NICKEL prices continued to weaken in London as profit-taking continued. The cash figure



eased £97.50 to £3,455 a tonne, while the three-month figure was £62.5 lower at £3,432.5. Page 38

***AMOCO**, leading US oil group*, reported a turnround in the third-quarter, registering earnings of $116m against a $32m loss in the corresponding period last year.

XEROX, diversified US producer of copying and duplicating machines, yesterday posted a 20 per cent rise in third-quarter net income to $134m or $1.23 a share. Page 25

ENICHEM, Italian state chemical company, and Dow Chemical Europe are to build a jointly owned plant in Italy to manufacture advanced epoxy resins. Page 25

UNION BANK of Switzerland reported brisk business in the third quarter. Without stating profits, it predicted a "favourable" result for 1987 as a whole. Page 25

GOLD rose $0.75 on the London bullion market to $466.75. In Zurich it also closed at $466.75. ($466.0). Page 38

DOLLAR rose in London to DM1.8135 (DM1.8060); to FFr6.05 (FFr6.0375); to SFr1.5055 (SFr1.5005); and to Y144.15 (Y143.90). On Bank of England figures the dollar's exchange rate index rose 0.1 to 100.9. Page 37

STERLING fell in London to $1.6525 ($1.6550); but rose to DM2.9975 (DM2.9925); to FFr9.9975 (FFr9.9925); to SFr2.4875 (SFr2.4825); and remained unchanged at Y238.25. The pound's exchange rate index was unchanged at 73.4. Page 37

ITT, US financial, industrial and travel conglomerate, announced a 70 per cent increase in earnings for the third quarter with net income rising to $210m, or $1.39 a share, compared with $126m or 82 cents in 1986. Page 25

DOMINION TEXTILE, Canada's largest textile producer, came out of its US$2.8bn joint bid for Burlington Industries of the US this summer with a net gain of C$20m or C$1 a share after expenses and taxes. Page 25

NORTHERN TELECOM, world's largest supplier of fully digital telecommunications systems which this month bought 27.8 per cnt of Britain's STC, reported a satisfactory 11 per cent increase in third quarter earnings on the back of continued strong growth in central office switching. Page 25

ALCAN ALUMINIUM, largest Canadian producer of aluminium aluminium doubled earnings for in the third quarter on the back of strong demand for ingot and fabricated products and higher prices. Page 25

US begins urgent talks on deficit as share prices stage widespread recovery

Sharp fall in US rates sparks rally in world markets

BY OUR ECONOMICS, FINANCIAL AND FOREIGN STAFF

WORLD EQUITY markets rallied strongly yesterday as traders took heart from the sharp falls in US interest rates engineered by the US Federal Reserve Board on Tuesday.

Confidence that the US authorities will not raise its discount rate helped Wall Street recover for the second consecutive day and share prices surged in hectic business on all major stock exchanges.

The Tokyo and London markets posted record one-day gains. The FT-SE 100 index closed more than 140 points higher.

On Wall Street, the Dow Jones *Industrial Average jumped* by around 200 points within an hour to settle just above the psychologically important 2000 mark. At 2 o clock, the Dow stood 188.17 points higher at 2029.18.

A *further plunge* in US interest rates, as the Federal Reserve Board continued to add liquidity to the financial system, fuelled the rebound. The market then settled down into what many dealers regarded as a healthy and necessary period of consolidation, with prices moving sideways from mid-morning to early afternoon. Trading volume was more moderate than the feverish levels of the last few days.

The mood remained nervous and few people were confident that world equity markets are set on the road to recovery. Some US institutional investors began to urge caution, now that the equity market had retraced more than half of the losses suffered in Monday's crash.

They pointed out that this was precisely the retracement which the market managed to achieve after the crash of 1929, before resuming its downward course a few days later.

There was also concern among some institutions that a rapid recovert might send the wrong messages to Washington, permitting a return of what is seen as the excessive complacency on economic policy in the White House and Congress.

There seemed to be no anxiety, however, about the Federal Reserve Board's new policy of easy money. The Federal Funds rate fell steeply again yesterday morning, to 6 per cent, from 6 5/8 per cent on Tuesday and as high as 7 1/2 per cent last week.

But there was no sign of the selling pressure on the dollar which this rapid monetary relaxation might have provoked in the recent past. In fact, the dollar strengthened markedly for the third day running on the foreign exchanges, rising to Y144.75 and DM 1.8195 by early afternoon in New York.

The Treasury's long bond also continued to strengthen, as investors' earlier worries about inflation gave way to concerns that the stock market collapse might slow down the economy in the coming year. The bond jumped more than a point to 95 3/4, *a level at which it yielded* 9.390 per cent.

Other bond markets continued to shadow movement in Treasuries with gilt-edged prices closing yesterday about ¼ *point higher than their previous* close after a much less volatile day.

Although the London equity market's recovery was a record in points terms, the rally seemed less assured than the surge in prices in Tokyo. The FT-SE 100 index closed 142.2 points up at 1943.8 but this was still about 50 points below yesterday's peak. The FT Ordinary index finished 88.1 higher at 1527.3.

Most of the largest price gains were scored early in yesterday's session as rumours circulated markets that Tuesday's sharp *declines in US interest rates* could lead to a cut in base lending rates. However, these rumours were swiftly dismissed as highly improbable in view of official concern about growth in bank lending and an already booming economy.

British Petroleum's shares did not perform as well as the wider market. They closed 12p up at 297p, still well below the *£3.30 price at which the £7.2bn* offering of BP shares has been pitched, but the Treasury reiterated that the issue would not be postponed.

Trading was seriously disrupted by a fault in the London Stock Exchange's Epic computer system which meant the Topic price display screen was out of action for three hours and that it took half an hour or more to calculate the FT-SE 100 index.

- *Lex, Page 24*
- Gold and oil prices, Page 36
- Money markets, Page 37
- London stock exchange, Page 44
- World stock market reports, Page 48

Baker in talks to reduce budget deficit

BY STEWART FLEMING, US EDITOR, IN WASHINGTON AND DAVID MARSH IN BONN

MR JAMES BAKER, US Treasury Secretary, went to Capitol Hill yesterday for talks with *Congressional* leaders as part of an urgent attempt to reach a bipartisan compromise on reducing the budget deficit.

Officials said the Treasury Secretary, accompanied by Mr Howard Baker, the White House Chief of Staff, planned talks with Mr Robert Byrd, Senate majority leader, Mr Jim Wright, the House speaker, Mr Robert Dole, Senate minority leader, and Mr Robert Michael, House minority leader.

The meetings came amid conflicting signals from the White House about how far President Ronald Reagan was prepared to go in bowing to pressure to raise taxes as part of a package both to cut the deficit and to calm financial markets.

Earlier Mr Marlin Fitzwater, White House spokesman, had *stressed that "everything is on* the table for discussion" in talks with Congressional leaders on the budget deficit. However, Mr James Miller, the Director of the Office of Management and Budget, said the President would not accept a tax increase.

"His position on taxes is unchanged. . . he simply will not (accept a tax rise)," Mr Miller said in answer to a question during a speech to the Council of Better Business Bureaus.

The divisions came as the West German Government made clear it expected action from the US to back up the Louvre *currency stabilisation* agreement.

In remarks which indicate irritation in Bonn about last week's attack by the US Treasury Secretary on West German monetary policy, *Mr Friedhelm* Ost, the Bonn government spokesman, stressed Washington's responsibilities over the agreement. Pointing out that it *was crucial* the Louvre accord be fulfilled, he told reporters, "This concerns above all the US."

Meanwhile, Mr Eduard Balladur, French Finance Minister, *said that a further fall in* the dollar's value could lead to stagnation in European growth. He welcomed Monday's rapprochement between Bonn and Washington, and added: "I would like to see a strengthening of this co-operation. We have to eliminate doubts and publicise the determination of governments to apply the Louvre accords."

Senior European monetary officials also stressed that restoring market confidence in international policy co-ordination remained the key priority despite yesterday's recovery in stock markets.

The officials said they remained unsure about whether or not the markets would test the willingness of central banks to defend the dollar's current level against other major currencies. They also conceded that there remained doubts among European governments over the willingness of the US to intervene in defence of its currency in the event of a modest fall.

On Tuesday evening, after a two-hour meeting with his economic and political advisers, including both the Treasury Secretary and Mr Alan Greenspan, *chairman of the Federal Reserve Board*, Mr Reagan announced for the first time that he would agree to try to negotiate a budget package with Congress.

"I am directing that discus-

Continued on Page 24

Mikhail Gorbachev: dominant

Politburo retirement strengthens Gorbachev

By Patrick Cockburn in Moscow

MR MIKHAIL Gorbachev's position within the country's ruling Politburo was strengthened yesterday with the retirement of a senior member.

Mr Geidar Aliyev, who has been considered a leading opponent of the Soviet leader, he retired at his own request on health grounds.

His departure tilts the balance within the ruling body towards further radical reform.

The change also means that eight of the 13 Politburo members *have joined since Mr Gorbachev* became leader in 1985.

Differences within the politburo are now likely to centre on the degree of radical change desirable, rather than on change *versus maintaining the status* quo.

Mr Gorbachev, while having the more dominant position, still has to represent a consensus of opinion among Politburo members, many of whom have more cautious political instincts.

Mr Aliyev, 64, was believed to have been seriously ill earlier this year. He has been a full member of the Politburo since 1982.

Evidence that his political position was under attack came in strong press criticism of the transport system for which he was responsible.

He has also held the post of first deputy prime minister and spent 20 years in the KGB security police in his home republic of Azarbaijan on the Caspian Sea.

He became Azerbaijan party leader in 1969 charged with ending corruption.

Accounts of his success in this area vary. The press has recently heavily publicised the case of *a large institute* in Baku, the capital of Azerbaijan, which was closed down following allegations that degrees were obtained by systematic bribery.

In addition to announcing Mr *Aliyev's retirement*, the central committee heard an address by Mr Gorbachev on preparations for the 70th anniversary of the Bolshevik Revolution in 1917.

European and Tokyo markets gain confidence

BY STEFAN WAGSTYL IN TOKYO AND STEVEN BUTLER IN LONDON

STOCK MARKETS stretching from Tokyo to Amsterdam yesterday moved sharply forward *following Tuesday's* resurgence in Wall Street share prices.

The Tokyo stock market staged a record recovery - moving up by 9.3 per cent and re*couping more than half the* ground lost in Tuesday's unprecedented fall.

Active two-way trading resumed, in contrast to the paralysis that struck the market the day before due to a lack of buyers.

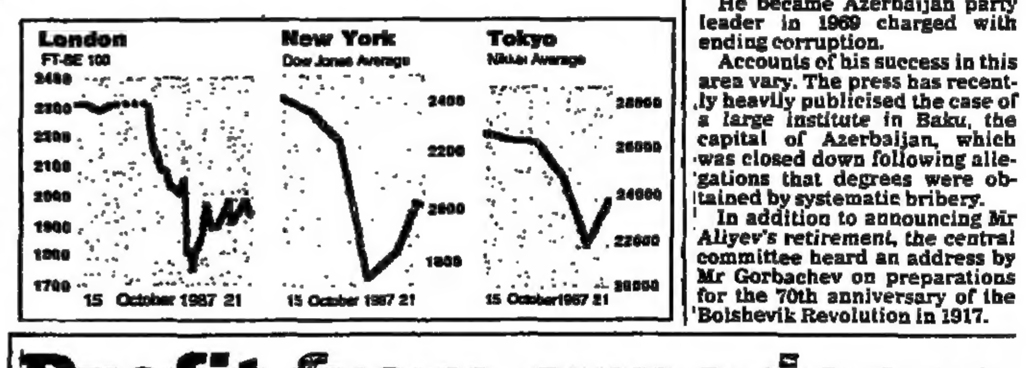
***The Nikkei index of 225 top* stocks closed up 2,037.32 points at 23,947.40, recovering 53 per cent of what it had lost the previous day. About 1.11bn shares changed hands.**

Traders said the rise was stirred by Tuesday's recovery on Wall Street and by a belief that the outlook for the Japanese economy was good.

Investors remained nervous. But they drew confidence from the fact that after yesterday's recovery the Tokyo market is only 10 per cent off its all-time peak - in contrast to Wall Street.

In the bond market, prices rose following moves by the Bank of Japan, which acted in line with other central banks to ease upward pressure on interest rates and to assure be-

Continued on Page 24



French Government postpones sale of Matra defence group

BY GEORGE GRAHAM IN PARIS

THE FRENCH Government yesterday backed down in the face of the turmoil on the stock market and postponed the privatisation of Matra, the defence and electronics group.

Mr Edouard Balladur, the Finance Minister, said yesterday that Matra's offer for sale, originally due to start on Monday, would be put off "for a few days or a few weeks."

Mr Balladur said the public offering, which will involve only FFr700m to FFr800m of shares ($115m-$132m), was still technically feasible, but that the markets were disoriented and needed time to regain their composure.

His decision is a disappointment to Mr Jean-Luc Lagardere, Matra's chairman, who had said the previous day he saw no reason for delaying the offer for sale.

The Government also announced that it would be reducing its bond issues for the rest of the year, and would concentrate its borrowing at the shorter end of the market to reduce pressure on long-term interest rates.

Matra's postponement, together with the bond market measures, is expected to give the markets a breathing space.

Besides the shell-shock that hit dealers after Monday's plunge in prices, the record trading volume - FFr4.2bn in the Paris official market on Tuesday - has put settlement systems under strain. Trading opened late again yesterday because of the heavy order flow, and computer failures once again affected the market.

A number of stockbrokers are understood not yet to have processed share applications for the privatisation of the Suez financial serices group, which closed last week, and which is likely to have drawn around 1.5m investors.

Mr Balladur hotly denied that the delay in the privatisation of *Matra was a political about-*turn. He has, however, given some ammunition to the opposition Socialist party, which has blamed the speed of the Government's privatisation pro*gramme for overloading* the French stock market.

"A *halt* to the privatisation programme a few months ahead of the presidential election is necessary in the interests of *small investors and of our economy*, which could once again pay the price for a stock market climate which is far from stabilised," said Mr Pierre Beregovoy, the former socialist finance minister.

Mr Balladur said the privatisations had not saturated the market, since private sector bond and equity issues had both increased in the first eight months of this year, and repeated his intention to press ahead with the flotation of France's largest insurance company, UAP, after the privatisation of Matra was completed.

He said *small* shareholders had not panicked in the face of the stock market *collapse*, and that their behaviour had been "a lesson in wisdom and sangfroid to the politicians."

Stock market buying and selling orders had averaged 12,000 *a day in each of the four main* banking networks on Monday and Tuesday, well within the normal band of 10,000 to 15,000, he said.

The finance ministry has calculated that small investors who had applied for the standard 10 shares in each of the privatisations so far, would still be showing a paper profit of nearly 9 per cent on their port*folio, despite the fall in share* prices of the privatised companies in recent weeks.

French debt restructuring, Page 27

CONTENTS

CONSPICUOUS CONSUMPTION IS NOW OUT OF PLACE

Congress can no longer keep George Shultz, US Secretary of State, in the style to which he has become accustomed, Page 24

Nervousness in Tokyo could have serious consequences for the flow of capital around the world, writes Stefan Wagstyl

Japanese investors likely to decide there's no place like home

JAPANESE INSTITUTIONAL investors, masters of the world's largest supply of capital, are likely to cut the fresh funds they invest overseas following the shocks which have hit stock markets this week. Investment managers at pension funds and life assurance companies in Tokyo said yesterday that the losses they had suffered on Wall Street would make them more cautious about foreign markets.

Mr Noboru Kagami, managing director of the Nomura Research Institute, said: "This decline on Wall Street came as a major shock. For a while Japanese investors will feel jittery about being outside Japan."

This nervousness could have severe consequences for the flow of capital around the world because Japanese investors have been the most important foreign investors in key capital markets, above all in the US. If Japanese investors stay cautious for any length of time, then interest rates elsewhere might have to rise to attract them.

Economists in Tokyo say that the difference in long-term bond yields between Japan and the US, which averaged 4.3 per cent in the first eight months of this year, might have to widen.

A crucial test of Japanese willingness to invest abroad will come early next month, when the US Treasury offers $28bn of bonds in its quarterly fund-raising issue. Japanese institutions have been among the biggest purchasers at previous auctions.

Mr David Pike, an economist at Union Bank of Switzerland, Phillips & Drew in Tokyo, says: "If the Japanese take less than a third of the issue, then it will prove that they have really changed and become more cautious."

The crux of the matter is that even before the decline on Wall Street in the past week, fears that the US dollar might fall had made the Japanese very wary since the summer of putting their money overseas.

Japanese portfolio investment overseas expanded massively from $13bn net in 1983 to $100bn net last year, as institutions invested - principally in bonds - the foreign currency piled up by the country's export surpluses. The incentive to do so was provided mainly by yields higher than those on offer at home, which to some extent offset capital losses caused by the decline of the dollar against the yen.

The Ministry of Finance steadily lifted various restrictions on foreign investment which allowed institutions to put significant funds abroad for the first time. It raised from 10 per cent to 30 per cent the proportion of funds that could be invested in foreign securities.

Capital continued to flow strongly in the first seven months of this year at a rate of $9.8bn a month, but in August it suddenly dried up. The belief that the dollar could not stay above Y140 suddenly took hold of the market. The outflow fell to $6.67bn and has not recovered since.

Mr Noriaki Suzuki, international bond investment manager at Norinchukin Bank, the Japanese farmers' co-operative bank and the largest institutional investor, says: "The foreign currency markets and bond markets are in a bear trend. It's a very bad situation and we are managing our funds defensively."

A crucial test of Japanese willingness to invest abroad will be the US Treasury fund-raising issue of $28bn worth of bonds next month.

For Mr. Suzuki defence means keeping his money in short-term fixed-income securities - in Japan.

To some extent, investors in Japan as elsewhere have been reassured by the meeting between Mr James Baker, the US Treasury Secretary, and Mr Gerhard Stoltenberg, the West German Finance Minister, who reaffirmed on Monday their commitment to keeping exchange rates stable.

However, Japanese fund managers remain sceptical about the long-term prospects for the dollar and for the US economy. They are unsettled by remarks such as those made on Tuesday by Mr Donald Petersen, chairman of Ford Motor, who said that the dollar would have to fall to Y120 soon and Y100 in the 1990s in order to achieve surpluses in US foreign trade.

Moreover, some Japanese economists argue that the huge rebound in the Tokyo stock market yesterday puts a much smaller recovery on Wall Street into perspective. By the close, the Nikkei index of leading stocks was up by a record 2,037.32 points to 23,947.40 - only 10.1 per cent below its peak last Wednesday. By contrast after Tuesday's recovery, Wall Street was still about 32 per cent off its peak.

Mr Susumu Taketomi, senior financial economist at the Industrial Bank of Japan, says this divergence in the markets reflects the divergence in economic prospects. Whereas trade and government deficits cloud the outlook for the US, strong domestic growth and low inflation mean a bright future for Japan, he says.

Some European stockbrokers hope that if Japanese investors turn away from the US, they might look more closely at Europe. The small flow, principally into West German and UK government bonds, has grown this year, but some Japanese fund managers say they simply have too little information about European markets, especially equities.

At Nomura Research Institute, owned by Nomura Securities, the largest Japanese stockbroker, Mr Kagami says there are too few "top-class fund managers in Japan to send them abroad." As a result, Nomura is hiring locally in London and New York - but it takes time before these people are entrusted with large portfolios to manage.

Even in New York, Japanese institutions are moving cautiously because they feel they do not understand the markets well enough. Nippon Life, the largest life assurance group, earlier this year bought a stake in Shearson Lehman Brothers, the investment subsidiary of American Express. As part of the deal, some 30 young Nippon Life staff will go each year to Shearson in New York for training.

Meanwhile, there have been reports that Nomura is considering a possible tie-up with Kidder Peabody, the New York securities house owned by General Electric.

There is no doubting the long-term commitment of Japanese institutions to the US and other foreign markets. But it seems that the potential profits from such investments will need to be higher in order to justify the risk.

At Industrial Bank of Japan, Mr Taketomi says that even though different financial institutions weigh risk and reward differently, the consensus will now favour caution.

Corporate investors, too, are likely to be more careful - and not just overseas. There were already signs that *zaitech*, the practice of aggressively investing surplus funds in financial markets, was becoming less popular well before the markets' plunge earlier this week. Some companies had suffered heavy losses in the bond markets, notably Tateho Chemical Industries, a specialty chemicals company, which had to be rescued by its banks after wiping out its Y16.5bn net assets with losses of Y28bn in bond futures.

In July and August, the monthly flow of money into *tokkin* (special money trusts) and trust funds - funds which are used by *zaitech* companies - fell to Y800bn and then to Y500bn after averaging Y1,500bn in the first half of 1987. Recent events will have cut this flow to a trickle.

UK institutions watch and wait

BY MARTIN DICKSON

CRAZY. Irrational. Quite out of touch with the real world. These descriptions by some of the UK's leading investment managers of the stock market's gyrations explain why many of Britain's leading institutions have largely watched from the sidelines.

According to the head of one leading securities trading house, UK institutional investors have on balance been net buyers of shares over the past few days, and this impression was reinforced yesterday by a straw poll of fund managers.

The impression was that on Monday fund managers generally watched in amazement, with most of the buying and selling being carried out by market-makers on their own account and distressed sellers, many of them from the US.

On Tuesday - with the market gyrating - the institutions began entering the market more actively, both as buyers and sellers, and this trend continued yesterday.

Nor, according to fund managers contacted by the FT, did there appear to be any severe liquidity problems, with institutions having to sell shares heavily to meet demands for cash from investors.

Mr Richard Smith at Henderson Unit Trust Management said that on Monday he had thought it prudent to raise a small amount of liquidity to recover redemptions, but not much had been needed and, with the market rising again, there might be a net inflow of funds.

At Norwich Union, Mr Paul Lovatt said the group's unit funds had been modest sellers this week to cover surrenders, but the main life funds had on balance been buyers, taking the opportunity to add to portfolios in shares that seemed undervalued. A similar line came from Mr Chris Tracey at Save and Prosper, the unit trust group: "Basically," he said, "we are positioned as we were before the crash, though we have taken the opportunity to buy on weakness those shares we like."

Shares being targeted as good buys have varied widely from house to house, with some mentioning companies such as Glaxo, the pharmaceuticals group, which has seen a remarkable two week slump in its share price, and others going for more classic defensive stocks, highly dependent on the UK economy, which is still seen as strong relative to other countries, or with particularly high yields. Names mentioned included British Gas, Pilkington, the glass manufacturer, and certain retailers and brewers.

Yet while there no great UK institutional panic selling this week, there remains much anxiety as to where the market will finally settle. "The market may have temporarily been oversold," said Mr Jim Stride at Sun Life, "but one senses sentiment towards equities may have changed, both for the man in the street and the professionals."

Surplus cash pours into US market

BY ANATOLE KALETSKY IN NEW YORK

BLOODIED but unbowed, US investment institutions are starting to pour billions of dollars of surplus cash into the stock market, in the hope of recouping a portion of the massive paper losses that most of them have suffered in the last two months.

The general view among the pensions, insurance and trust fund managers is that the stock price correction has bottomed, but few institutions seem willing to predict an early return of the bull market conditions prevailing in the last 12 months.

One characteristic comment yesterday was: "We went into the market aggressively on Tuesday morning and have now pretty well committed all our cash.

"But if the market continues to rally the way it has this morning, we'll probably start to take some profits, because the whole context of the bull market has shifted in the last two months."

The comment came from Mr Lewis Kleinrock, president of Independence Investment Associates, fund management subsidiary of the Boston-based John Hancock insurance group, which runs more than $3bn of independent pensions portfolios.

He conceded, however, that despite a relatively cautious stance in the summer, his fund had lost more than $500m in value since the stock market peaked.

Mr Jed Maxwell, equity investment manager of the $45bn California Public Employees' Retirement System, a fund which ranks among the top investment institutions in the country, said his total losses had amounted to $6bn since late August and $4bn on Monday alone.

Mr Maxwell said that, while a fund of this size could do little to change the balance of its asset allocations over a short period, he had become a net buyer of equities in the last two months, and was buying "much more aggressively" since Monday.

Between March and August, the California Retirement System had been a net seller of stock.

Mr Roland Machold, who runs the $18bn New Jersey state funds, pointed out that the losses in the equity market were partly offset by recent big gains from bonds.

His fund had dropped $1.1bn, or 6 per cent, in aggregate value on Monday. Its long-term objective remained to increase gradually its stock commitment from the present level of around 45 per cent.

One institution which had more than investment decisions to worry about as a result of the market crash was the Stanford University endowment fund, one of the biggest private trust funds in the country.

The university had lost $200m, or 13 per cent, of its $1.5bn endowment by yesterday morning. But 9 per cent of its holdings were now in cash and it was looking for buying opportunities.

"But our main concern is how the drop in the market will affect gifts and their donors," said a Stanford spokesman.

Froth off the top of property

By Paul Cheeseright, Property Correspondent

THE TENTATIVE rally yesterday in London commercial property stocks has done little to allay the uncertainties that have spread over a sector which until Monday morning had seen the sky as the limit.

But, as Mr Graeme Elliot, vice-chairman of Slough Estates, the biggest industrial property group in the country, noted, "there is a difference between what happens in the City and in the underlying market."

In the City property stocks have recently enjoyed one of the highest rises in prices. This has permitted young and expanding companies like Randsworth Trust and Control Securities to use their paper to finance acquisitions. That particular activity could now be finishing.

Property companies have observed that it could now well be difficult for brokers to place convertible issues as easily as they have been doing.

"Expansion based on paper is where the market may change," suggested Mr John Ritblat, chairman of British Land. "If you're going to a bank for funding you'll be more cautious on the price you pay for development as the carrying cost will bear the full rate of interest".

The easy credit that has been available from the placing of paper has helped to twist the upward spiral of land prices in central London to the extent that the financial institutions have in some cases been paying for paper that was more expensive than the underlying assets.

The shake-out then could have the effect of taking the froth off the top of the market by reducing the ability of the smaller property companies to pay higher and higher prices for their assets.

At the same time the property assets themselves may re-emerge as a more attractive institutional investment than the property companies. "Quite a lot of property may be more attractive, less risky than equities," commented Mr Elliot. But it will take some weeks to establish whether a new risk-reward equation has been worked out.

From the viewpoint of the industry, the return of the institutions to direct property investment - and there are signs this has begun to happen anyway - would be a blessing because they would be again the ultimate buyers of the speculative developments.

In recent years there has been active institutional property buying in the London area but much less elsewhere.

The downturn of institutional investment has left a funding gap which for short-term funding at least has been filled by the commercial banks. Yesterday, however, property companies were expecting that the banks in the future could be much more cautious.

But there are several different property markets: they are split not only between sectors but also geographically. The performance of the stock market so far suggests that it is the companies with central London activities which have been most affected by the selling.

BP stock could head towards banks if rally peters out

BY RICHARD TOMKINS AND ALEXANDER NICOLL

THE VOLATILITY of world stock markets over the last few days has threatened to turn the biggest-ever international share offering - the £7.2bn British Petroleum issue - into the biggest-ever international flop.

It is much too early to assume that the threat will be fulfilled: yesterday BP's existing shares recovered from Tuesday night's close of 285p to 297p, and there is still another week to go before the offer closes.

But if the market's rally peters out and the offer is heavily undersubscribed, the underwriters could find themselves sitting on vast amounts of unwanted stock. What would the consequences be?

The BP issue comprises two separate offers: the fixed price offer of 1bn shares at 330p to small investors in the UK, and the international offer of 1.1bn shares at a minimum tender price of 330p to institutional investors.

The UK offer looks the more vulnerable of the two because small investors are unlikely to be in the mood for another punt on the stock market after Monday's and Tuesday's collapses, however strong the recovery in BP's price. The Government seems to have acknowledged this by dropping most of its advertising for the issue.

On the face of it, then, a large proportion of this £3.3bn worth of stock could be heading firmly towards the handful of banks and merchant banks which underwrote the offer for an unprecedentedly low commission of 0.018 per cent.

If this were the case, these banks would look dangerously exposed. But in fact, the risk has been laid off among well over 400 sub-underwriters consisting mainly of large institutional investors such as pension funds and insurance companies.

The exposure of any one of these institutions is therefore fairly limited. On average, they stand to pick up less than 2.5m shares each: and since the stock is partly paid, their outlay will be only £3m.

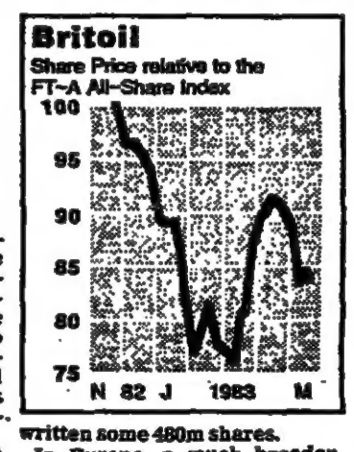
Many of these institutions will have planned to take up BP stock in any case, so the outlay is unlikely to strain liquidity. They are also thought to be fairly resilient long-term holders of the stock, so their loss will be only a paper one. And those who do sell into the market-place at a discount to the offer price will be able to offset their losses with a 1 per cent sub-underwriting commission which is calculated as a percentage of the fully-paid price, not the partly-paid figure.

The international offer appears to stand a greater chance of success than the UK one because institutional investors ascribe a greater value to the partly-paid stock than they do to the fully-paid variety. It is widely supposed that the issue could still prove attractive to them as long as the price of BP's existing shares is above 310p or so.

If this is not the case, this part of the offer could present the more serious problems. If the offering were left heavily with international underwriters - especially in the US, which had been expected to take a large proportion of the shares - there would be a considerable risk of flowback into the domestic market, inordinately depressing the share price.

This occurred in British Telecom's offering, when the US portion was sold almost overnight back to the UK, though the aim was simply to make a quick profit because the issue had been generously priced.

BP's international offering places more concentrated risk on foreign underwriters, particularly in the US where the shares have not been sub-underwritten as in the UK. Instead, the risk is spread among a handful of banks led by Goldman Sachs, which has underwritten some 480m shares.



In Europe, a much broader group of 78 banks are committed to the 105m share offering, though the biggest exposures are among more than a dozen lead and co-lead managers led by Swiss Bank Corporation International. Canada, where 105m shares are underwritten through a syndicate led by Wood Gundy, has an underwriting structure similar to the UK's. In Japan, Daiwa Securities has led the underwiting of 160m shares.

If the overseas underwriters are left with the bulk of the international offering, N.M. Rothschild, the UK merchant bank sponsoring the issue, hopes to achieve a form of marketing agreement which will prevent the wholesale unloading of shares by foreign banks back into the UK.

Editorial comment, Page 22. See Lex.

CBI seeks to calm the hysteria

By Hazel Duffy

LESS THAN a week after the Confederation of British Industry published the report of its Task Force on the City and industry - a report which sought to counter allegations that the City is interested only in the short term to the detriment of industry - Sir David Nickson, CBI president and chairman of the Task Force, found himself having to try to calm the hysteria of the past couple of days.

The meeting of the CBI council yesterday condemned the crisis as "a computer creation which bears no relation to reality". Mr John Banham, director general, said: "We are talking about people in touch with the real world rather than those staring at computer screens all day".

Some members of the Task Force, drawn from the City and business, admitted yesterday that in the course of their investigation they had not envisaged anything like the present violent fluctuations in international financial markets.

Nobody was willing to put his name to allegations of irresponsible behaviour on the part of the market operators, but that was clearly the direction in which their thoughts were going. Everybody stressed that the fundamentals were unchanged from a week ago.

"The growth rate of the economy is better than it has been almost any time since the last war, and British companies are in a better state almost than at any time," said Sir Jeffrey Sterling, chairman of P&O shipping group.

The general feeling among businessmen is that the level of interest rates, determining the cost of borrowing and exchange rates, are going to affect the day-to-day management of businesses much more than share prices.

Some big manufacturing companies were taking a sanguine view of events. British Aerospace said the impact of the fall in share prices on its business had been "fairly minimal". Rolls-Royce said that short term fluctuations were not of great significance since it had arranged a multi-option borrowing facility for £250m just before privatisation.

Arbitrageurs smile through the pain

BY JAMES BUCHAN IN NEW YORK

NEW YORK'S arbitrageurs are poor, but they are happy.

These professional speculators, who invest heavily in the stocks of potential takeover targets, were among the worst casualties of Monday's market collapse when several of their favourite corporate raiders pulled out of deals.

"The arb business was hit very badly," said Mr Alan Greenberg, chief executive of Bear Stearns and king of Wall Street arbitrage on Tuesday. Another trader, who likes to be anonymous, said yesterday that the trade's losses on Monday were the largest since last November's Boesky affair raised fears throughout the market that the takeover game was up.

"Many arbs probably lost their year's profits" on Monday, as speculative stocks such as TWA, GAF, Allegis, Newmont Mining, Dayton Hudson and Gillette collapsed, he said.

But yesterday these stocks were soaring amid evidence that the raiders - and the surviving arbs - are very much back in business. Mr T. Boone Pickens, the Texas oilman who seemed to have lost his shirt in Newmont on Monday, could yesterday watch his 9.9 per cent investment climb back up towards break-even again. Mr Paul Bilzerian, a Florida takeover specialist, said breezily he is buying 10 per cent of a new target. Other raiders and arbs talk about spectacular buying opportunities.

"After Boesky, there was rational chaos," the nameless arb said. "It made sense for the takeover stocks to be down then because there were rumours" that big players in the takeover game were implicated by Boesky in insider trading. "This time its irrational."

Two deals that collapsed on Monday - the buy-out of GAF by Mr Samuel Heyman and of TWA by Mr Carl Icahn - appeared to be going ahead yesterday by different means as both men announced they would buy in the market at the much lower prices. Raiders generally finance their purchases with high-cost debt, so falling interest rates and stock prices are "the best combination," the arb said.

Hunt for bargains in the London market

BY NICK BUNKER

ALMOST FROM the moment share dealing started in London at 7am yesterday, stockbrokers knew it would be another day to remember - a day on which private investors appeared to be plunging back into the stock market in search of bargains.

But in an environment in which professionals confessed that any interpretation of market conditions was still highly impressionistic, there was a wide spectrum of views on how smoothly the market was functioning.

One frequent complaint from smaller stockbrokers was that private clients faced long delays in execution of their bargains as a large volume of buying orders clogged market-makers' switchboards.

According to Mr Bryan Foster of Westlake, a West Country-based broker, yesterday morning: "Everybody you can think of in Devon and Cornwall" was buying in the market, with buy-orders making up 90 per cent of the firm's volume. In particular, he saw signs of a scramble for "penny shares" in smaller companies.

Yesterday was "fairly chaotic," said Mr Ian Kennedy, head of research at Parsons, the Glasgow-based stockbroker, because of the volume of buy-orders from clients. "I have had trouble even getting telephone line out myself," he said.

The difficulty for private client brokers was that even well-organised dealing teams found themselves with two-hour backlogs of orders because of delays of perhaps 35 minutes in getting market-makers to answer their telephones. The reason for this, they felt, was the sheer volume of orders.

But one private-client broker said: "I strongly suspect that most of the trading today is between market-makers themselves." Many investors were therefore being made to wait their turn.

For institutions - such as Legal & General, the life assurance group - the actual mechanics of dealing offered fewer problems. According to Mr Ted Davis, its head of UK equities, L&G's 30 direct lines to market-makers meant that it had little trouble getting through to the market, though it had occasionally to take "a bit of pot luck" when the speed of price movements outstripped the prices shown on Stock Exchange screens.

There were some complaints, however, about the overall capacity of the Stock Exchange's central systems to cope with several days of an extremely volatile market.

In fact, in the past three days the Exchange's small market supervision department has five times had to declare a "fast market" - meaning that for periods of up to two hours the market-makers' prices shown on the Stock Exchange Automated Quotation system (SEAQ) could be inaccurate.

The main complaint about technology was that the partial collapse of the Stock Exchange Topic information system - which for about two and a half hours at lunchtime could not calculate the FT-SE 100 index - left dealers operating with what one called "just sheer gut feeling" only shortly before the critical moment when Wall Street opened.

Big US companies move to buy back own stock

BY JAMES BUCHAN

IT SEEMS like some vast concerted action, corporate America riding to the rescue of the beleaguered stock market.

Since Tuesday morning, dozens of big companies have announced plans to buy in their own stock, providing a cushion of support for the market indices.

What began as a dribble is now a flood. Citicorp, Merrill Lynch, Honeywell, USX, McGraw-Hill and the three big car makers have all announced that they will spend from $100m to $500m to buy in their own stock.

And yesterday, Bristol-Myers unveiled the most ambitious plan yet, promising to buy 25m shares at a potential cost of nearly $1bn.

Company officials and Wall Street bankers say the purpose of the buybacks is two-fold: to restore order in the market after Monday's demoralising collapse and to snap up what could be an investment bargain - before a corporate raider gets there first.

Mr William Clark, an official at Merrill Lynch, one of the first companies to announce a repurchase, said: "You don't have to be a Harvard genius to see that buying your own stock will boost your capitalisation. But we also made some money. Our stock is up."

Mr Donald Petersen, chairman of Ford, said he was accelerating the company's stock repurchase programme because Ford shares had become "an even better buy." Like some other companies announcing buybacks, Ford is rich in reserves of cash it does not need for business operations.

Other officials say the buybacks are a good way of stiffening the morale of employees troubled by Monday's extraordinary events.

Bears catch British market-makers in a vulnerable position

BY CLIVE WOLMAN

ALMOST ALL London's market-making firms went into the precipitous bear market on Monday morning with lines of stock on their books and therefore vulnerable to a downturn.

All suffered losses and most found it difficult to break even during the violent swings on Tuesday, although the large dealing spreads between buying and selling prices allowed them to recover some of the losses on their stock inventories.

Market-making firms are in a privileged position in that, from an administrative and fiscal point of view, it is just as easy for them to go "short" of stock - and therefore profit when share prices fall - as it is to go long. Akroyd and Smithers, the leading jobbing firm which is now part of Warburg Securities, was able, for example, to turn in large profits during the 1974 bear market.

But after the sustained bull market of the past six years and what some call a psychological barrier against continually selling shares that the firm does not own, market-makers have rarely run short positions since the Big Bang reforms of last October. Morgan Grenfell Securities and County Securities, both of which have incorporated large pre-Big Bang jobbing firms, say that over the last year, they have maintained a ratio of "long" positions in individual stocks to "short" positions of between two to one and three to one. Their practice appears to have been fairly typical, although some firms increased their long exposure up to a ratio of ten to one at least for short periods.

Those market-making firms which lost money during the long bull market, in particular Greenwell Montagu Securities, the Midland bank subsidiary, did so because they were prepared to accommodate large client purchases and unable to unwind their short positions with sufficient speed.

The size of the typical exposures of individual firms has varied greatly. Barclays de Zoete Wedd has been reducing its net long position since August. Warburg Securities is thought to have been running almost a balanced book on Friday. But then its market-makers bought long lines of stock from Wall Street over the weekend which led to its suffering losses of nearly £5m on Monday. This figure is in line with the losses of the other large market-makers.

Mr Peter Rawlings of Shearson Lehman Securities, the US company with a large London subsidiary, said he was surprised by the size of the positions taken by UK market-makers. "People are carrying massive positions which we would never contemplate in New York. I have heard of open positions of more than £500m," he said.

In fact, even the largest market-makers say that, at least in UK equities, their exposures would only rise briefly above £500m as a result of some one-off deal. A continual running position of £100m to £150m is more common among the most active market-makers. But many of the smaller ones have limited their exposure to a few million pounds and have contrived to stay out of the market - and to keep their names off the strips on the screen which show who has the best prices - in the last few days.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1, Tel: 75980; Tlx: 416193; FAX: 722677.

FINANCIAL TIMES, USPS No 190642, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 44 East 60th Street, New York, NY 10022.

EC fails to agree on Gulf plan

BY QUENTIN PEEL IN BRUSSELS

A MUCH-vaunted effort by the member states of the European Community to demonstrate their political support for the conservative Arab states in the Gulf is in danger of coming unstuck – because they cannot agree on a deal.

The EC Council of Ministers this week abandoned the effort to reach agreement when it was made clear that the Gulf Co-operation Council (GCC) states were not interested in the deal being proposed by the European Commission – offering little more than a standstill on trade arrangements.

The 12 had agreed to rush through a negotiating mandate for a new trade and co-operation agreement with the six-nation GCC, which includes Saudi Arabia, Kuwait, Oman and the United Arab Emirates.

The EC agreed on a two-phase approach, offering a co-operation agreement with a standstill in the first phase, followed by more substantive trade negotiations leading to a possible free-trade area sometime in the future.

Even that approach appeared to go too far for the UK and the Netherlands, which are concerned about protecting petrochemical industries threatened by competition from the Gulf.

On the other hand, GCC states made it clear that the proposed mandate was not even worth talking about, in an aide-memoire circulated to EC states last week.

Mr Claude Cheysson, European Commissioner responsible, suggested to the Council of Ministers on Tuesday that they offer an immediate co-operation agreement, with an equally early start to substantive trade talks, in effect pulling the two phases together.

His move was denounced by the UK and the Netherlands as a siginificant change from the first proposal.

The biggest problem in the council was that all the foreign ministers had left, except for Mr Uffe Ellemann-Jensen, Danish Foreign Minister in the chair. Mr Hans-Dietrich Genscher, West German Minister, who inspired the move to get the negotiations rapidly under way, failed to attend.

Whatever the EC now offers will tend to look lame and belated if the ministers can actually agree on any common position when they meet again in November.

Bonn urges US action on Louvre accord

By David Marsh in Bonn

THE West German government made clear yesterday it expected economic policy action from the US to back up the Louvre currency stabilisation agreement.

In remarks which indicate irritation in Bonn about last week's attack on German monetary policy by Mr James Baker, the US Treasury Secretary, Mr Friedhelm Ost, the Bonn government spokesman, stressed Washington's responsibilities over the agreement.

Pointing out that it was crucial that the Louvre accord be fulfilled, he told reporters: "This concerns above all the US."

Mr Ost's comments were more acerbic than remarks made on Tuesday by Mr Gerhard Stoltenberg, the Finance Minister, and Mr Karl Otto Poehl, the Bundesbank president.

Both men, who met Mr Baker in Frankfurt on Monday to reaffirm their commitment to currency stability, have been anxious in their public statements to back up efforts to calm world financial markets after this week's turbulence.

However in private West German officials have criticised Mr Baker's remarks last week and stressed that the Bundesbank is unlikely to change its basic stance of attempting a mild tightening of monetary policy in coming months.

The Bundesbank contributed to lowering fears of higher interest rates yesterday by imposing a fixed interest rate of 3.80 per cent for its latest one-month securities refinancing operation with German banks.

The central bank brought in a fixed rate this week for the refinancing rather than allowing the rate to be set by tender, which could have resulted in banks driving the interest rate higher. The 3.80 per cent level, down from 3.85 per cent set after the tender last week, was regarded by the Frankfurt financial markets as a sign that the central bank wanted to dampen at least temporarily a rise in short term interest rates.

The Bundesbank is worried about the potential longer-term inflationary effects of rapid overshooting of its money supply target this year for the second year running.

Booming business drives motorists to the edge

By David Barchard in Ankara

European Diary

Turkey

A TRUCK, travelling in the opposite direction to you on an overcrowded and winding mountain road, tires of the tedium of staying in the bumper to bumper traffic on his side and crosses over.

Oncoming traffic has a split second choice between a head-on collision and retreating to the gravel on the road's verge, inches from a thousand foot ravine.

One truck comes past in this fashion, then another, and another, forcing oncoming traffic off the road 25 times in 35 minutes.

This is not a scene from a fiendish computer game or a horror movie but a typical afternoon's driving through the Taurus mountains, along the road which links Turkey with the Middle East.

The rapid expansion of the Turkish economy in the last seven years has brought with it some of the worst traffic problems in Europe and a horrifying toll in accidents.

Each year in Turkey, according to Professor Ridvan Ege, head of the Traffic Accident Prevention Institute in Ankara, around 60,000 Turks are injured in road accidents and about 6,000 die. Yet Turkey has by far the lowest number of passenger cars per thousand of the population of any country in the Organisation for Economic Co-operation and Development - 18 compared with 312 in the UK or 424 in West Germany or 135 in Portugal.

Other international comparisons are equally bleak. Roughly speaking, one has an eight times greater chance of dying in a road accident during a journey in Turkey than one does in Western Europe or North America, according to Profesor Ege.

More depressing still, the situation seems to be getting worse. The number of road accidents each year jumped by 58 per cent between 1981 and 1985, a reflection perhaps of the growing numbers of vehicles on Turkey's roads.

Just why this should be so is not immediately obvious. Though Turkey has certain overcrowded arterial routes such as those linking Istanbul and Europe with the rest of the Middle East, its 60,000km network of asphalted roads is a considerable engineering achievement. In many parts of the country, roads often seem to be of a better standard than the volume of traffic carried on them would demand.

Turkey's distribution system, however, relies on underpowered trucks. These crowd the roads between major cities. "Traffic levels on some major roads are well above what is suitable for a two lane highway," says Mr Atalay Coskunoglu, Director-General of Turkey's State Highways Organisation.

On some trunk roads the average daily traffic is over 6,000 vehicles, of which more than half is heavy vehicles. "This is a much higher proportion than on a Western highway," says Mr Coskunoglu.

Not only is the density of the traffic high, but the trucks which make up the greater part of it are often underpowered for the loads they carry.

Turkish-built trucks, especially the smaller ones, have less than 10hp per ton and operate below specifications acceptable in Europe. Local motor industry producers say that trucks normally carry loads far in excess of those for which they were designed for.

As a result, Turkey's major intercity highways are clogged with slow-moving traffic. Regulations about the number of hours a driver may stay on the road are widely ignored, though this may end with the introduction of tachometers.

Drivers travelling for hundreds of miles on congested roads, frequently through the night, often fall asleep at the wheel. When they do, there are rarely crash barriers to protect them.

The burned-out wrecks of lorries and buses which have plunged from the roadside into ditches or ravines are a frequent and woeful sight along Turkey's major highways.

An equally common sight is a line of trucks being stopped by the Turkish traffic police - but traffic safety does not seem to be high among the concerns of the police, who are usually checking that driving and vehicle licenses are in order.

"A vehicle on the wrong side of the road driving deliberately at another doesn't interest the police," says one Turkish driver. "What they want to know is whether or not your documents are in order. And bribery is frankly very common. Some policeman take advantage of the regulations to harrass drivers and line their own pockets."

Road safety regulations are in any case often largely a matter of theory, with none of the supporting publicity usual in Europe. For years Turks were supposed to wear safety belts but the obligation was not enforced.

Last summer the police began to fine drivers on long distance routes who were not wearing safety belts, but the requirement is presented as a legal obligation rather than something which will save lives.

Foreign tourists are usually waved through barriers by the police with a courteous smile, but every summer brings a rash of serious accidents involving visitors to the country. The legal consequences for any foreigner involved in a crash can be serious. In some rural areas, courts still tend to assume that a local man is more likely to be innocent than a foreigner.

Not all the European cars involved in crashes belong to foreigners. The most lethal drivers in Turkey are said to be guestworkers returning from West Germany for their holidays, hurtling across the country in newly-bought cars and trying to squeeze in as much time as possible in their home towns.

Professor Ege believes that three things would help bring road safety in Turkey closer to European standards: more education, more police concern with road safety and less with formalities, and more investment in hospitals which specialise in traffic accidents.

He was speaking in Ankara's main traffic accident hospital on a highway at the edge of the city, currently shut down and due to reopen next year.

The death toll seems likely to go on until official attitudes change. There is no sign that they will. Two years ago Turkey turned down flat an invitation to participate in European Road Safety Year.

Swiss fears on inflation downplayed

By William Dullforce in Gerzensee

THE SWISS National Bank sees no reason for a further increase in Swiss interest rates. Nor does the central bank believe that its current temporary relaxation of monetary policy will bolster inflationary pressures.

The recent rise in Swiss interest rates had been a surprise, Dr Markus Lusser, vice-president and president-elect of the National Bank, said yesterday.

Yields on Federal bonds have climbed from around 4 per cent in August to 4.4 per cent. The interest rate on three-month Euro-franc deposits has risen above 4 per cent for the first time in about a year.

Expectations of stronger inflation in Switzerland were unfounded, Dr Lusser said. The jump from last year's 0.8 per cent annual inflation rate to almost 2 per cent in the third quarter this year had long been forecast and had been accounted for in nominal interest rates, he added.

The only explanation for recent movements in Swiss rates was to be found abroad, particularly in the US, where inflationary expectations had brought about higher rates and donward pressure on the exchange rate.

Swiss "fundamentals" offered no reason for a further increase in rates, Dr Lusser said.

Mr Pierre Languetin, the current president of the National bank, stressed that the easing in restrictions on the money supply growth had stemmed primarily from concern for the Swiss franc exchange rate.

EC research changes outlined

BY WILLIAM DAWKINS IN BRUSSELS

LONG-AWAITED plans to tighten up the management of the EC's four high technology joint research centres were published yesterday.

Under the proposals, adopted by the weekly meeting of the European Commission, the centres would cut their dependence on the EC research budget so that 40 per cent of their funds came from outside sources by 1991. This falls a long way short of earlier UK calls for the centres to be privatised.

But it does answer many of the criticisms voiced in an independent report to the Commission by a panel of top industrialists led by Mr Harry Beckers, research director of Shell. That accused the centres of being inefficiently managed and out of touch with commercial reality.

The centres, opened in the mid 1950s in Italy, the Netherlands, Belgium and West Germany, conduct research into a wide range of subjects from nuclear safety to alternative energy sources and pollution control. The Italian centre, based at the northern town of Ispra is the largest and most criticised of the four.

THE EUROPEAN Commission is likely to give a conditional green light to the French Government's decision to write off about FFr 12bn (£1.2bn) of Renault's debts, William Dawkins writes.

Commission officials yesterday confirmed that they had been fully notified of the scheme, as is required under EC competition rules, and that they would come to a final decision within the next two months.

Yesterday's proposals envisage that 15 per cent of the centres' resources should come from contract research for governments and companies by 1991, with a larger proportion coming from other Commission departments.

The plan does not, however envisage any cut in the centres' Ecu690m (£476.1m) allocation for the next five years under the EC's research framework programmes.

Instead, it proposes that the centres' loosely organised mass of research projects should be re-organised along four lines: specific programmes that form part of the EC's overall research framework, work for the Commission's technical services, contract research for third parties, and exploratoring "new areas of researcg to support Europe's technology strategy."

Brussels merger plan defended

BY WILLIAM DAWKINS

MR PETER Sutherland, the European Commissioner responsible for competition policy, yesterday defended his attempts to give Brussels wider controls over EC-wide mergers.

He told a meeting of the European Parliament's Economic and Monetary Affairs Committee that long-delayed proposals for EC merger legislation formed "an integral part" of the Community's drive to complete a fully free internal market by 1992.

A regulation which would give Brussels the power to vet in advance potentially anti-competitive cross border takeovers has been held up in debate between national officials for the past 14 years. The Commission has given member states until November 30 to accept the scheme in principle, failing which, it is threatening to scrap the proposal and make wider use of existing competition rules, which only allow Brussels to vet takeovers after the event.

"Since competition increasingly operates in the context of international markets - and indeed even worldwide markets - the assessment of changes in market structure should be made at Community level rather than national level," he said.

Britain, an otherwise keen advocate of the internal market, is more sceptical over EC merger control than any of its Community partners. It fears the proposal could unecessarily hamper international takeovers.

However, Mr Sutherland emphasised yesterday: "Those who favour the completion of the internal market must logically favour a Community-wide regime."

EUROPEAN NEWS

Andriana Ierodiaconou reports on a series of misfortunes haunting the Greek Government

Confidence ebbs as Papandreou ponders poll omens

ONE OF the most popular pastimes in Greek political life is trying to guess the date of the next general election and it has been a flourishing pastime since the September 22 reshuffle by Mr Andreas Papandreou, the Socialist Prime Minister.

The reshuffle, the thirteenth since the Pan Hellenic Socialist Movement (Pasok) came to power six years ago, restored a strong party presence to the Government by reinstating three senior party figures ousted from their ministerial jobs in the twelfth government change last February.

The next elections are due in June 1989, when Pasok's second four-year term in power, secured with 46 per cent of the vote in 1985, expires. But Mr Papandreou has the constitutional leeway to hold earlier elections should he judge such a move to be politically expedient.

At present, however, the Government is labouring under a massive crisis of confidence. It is only partly traceable to the stringent economic stabilisation measures and the pro-American shift in foreign policy introduced by Mr Papandreou on the heels of the 1985 elections, without either much warning to the public or consultation within his own party ranks.

For months, Greek press headlines, including those of left-wing newspapers broadly sympathetic to Pasok, have been dominated by news damaging to the Government, starting last winter with a barrage of allegations of misuse of funds in the public sector, which continues still. Summer, normally a time when the public turns its mind away from the blunders of its politicians towards the beach, provided no respite this year.

July's killer heatwave which led to hundreds of deaths and generated macabre chaos in state hospitals and cemeteries, followed by persistently high levels of atmospheric pollution in Athens through the first weeks of autumn, focussed attention mercilessly on the failure of the important "quality of life" plank in the Socialists' 1981 and 1985 election platform. More recently newspapers have turned to an even more sensitive topic - the Prime Minister's private life.

The interest of Greece's nor-

Mrs Papandreou: under attack

mally tolerant press and pubic opinion was sparked by an injudicious newspaper attack, apparently organised by sources close to Mr Papandreou, on the political activities of the Prime Minister's dynamic American wife, Mrs Margaret Papandreou. Mrs Papandreou, founder of the feminist Union of Greek Women, was attacked for allegedly planning to set up her own women's political party, reports she denied as "nonsense."

But the exchange was enough to spark off a series of Greek press articles, the substance of which has not been denied, claiming that Mr and Mrs Papandreou's marriage of 36 years was strained over the Prime Minister's alleged relationship with another woman.

While the political cost remains to to be counted, the tenor of Greek public reaction was efficiently captured in a September 28 editorial carried in Elftherotypia, a leading left-wing daily: "Everybody has the right to reject his private life being made public. But when the person concerned is a politician who embodies a nation's hopes for progress and change....More careful movements and a greater sensitivity to public reaction is required," the newspaper warned.

A set of opinion polls conducted last summer showed voter support for Pasok to have plunged to between 25 per cent and 28 per cent, a 10-year low. While internal dissent has prevented Mr Constantine Mitsotakis' Conservative New Democracy (ND) party, Pasok's main challenger, from capitalising fully on the Socialists' losses, the same polls nevertheless gave the Conservatives a 6 per cent to 7 per cent lead.

The sole encouraging figure for the Government is the high level of voters registering as undecided, ranging from 15 per cent to 30 per cent. Poll analysts believe most of the undecided to be disaffected leftists, in theory subject to being wooed back to Pasok.

Against this background, some analysts argue that Mr Papandreou would profit by cutting his losses and holding early general elections in the spring of 1988. The Government, it is argued, could thus capitalise on the relaxation of wage policy it has promised in January 1988, to mark the formal end of the two-year stabilisation programme introduced in 1985.

This timing would also bring the elections forward of the conclusion of negotiations, expected to start in early November, for a renewal of the 1983 to 1985 agreement on the operation of the four US military bases in Greece. Renewing the bases' tenure could cost Mr Papandreou radical left votes, despite the Prime Minister's pledge to fight for an agreement which serves Greece's interests rather than those of its rival Turkey, and to submit any such agreement to a referendum before signature.

Meanwhile opposition parties on both the left and right have joined forces in demanding early elections now. The smaller parties, including the pro-Moscow Communist Party of Greece, are also calling for a change in the electoral system, which at present is weighed in favour of larger parties, to a direct proportional system under which the share of seats gained in the 300-member house would be directly equivalent to the share of votes.

So far the Government's response to all this has been the stock reiteration that elections will be held in 1989 and that the country enjoys an adequate electoral system. It is a central tenet of election prediction, however, that government statements on the timing and manner of the next elections are never to be taken at face value.

Yugoslavia plans legislation for debt-equity swaps

BY MARGIE LINDSAY

YUGOSLAVIA should have legislation in place by June 1988 which will allow debt-equity swaps. According to Mr Svetozar Rikanovic, the Federal Secretary of Yugoslavia, the country first needs to adjust the legal system in order to allow this type of investment.

Laws providing for debt-equity swaps are not yet in place, said Mr Rikanovic. "Ahead of us is the very serious business of adapting our legal system to this," he said.

An analysis of how debt-equity swaps would be used to help Yugoslavia over its present financial crisis has already been prepared, along with new laws which would encourage foreign companies to buy debt at a discount. However, it would be unrealistic to expect legislation to be in place before the first half of next year.

"We also stand open to some innovative solutions (to the debt problem) like debt repayment in dinars ... which means new possibilities and forms for more sizeable foreign investments in Yugoslavia," said Mr Rikanovic, speaking in London this week.

Mr Rikanovic hopes the new economic programme, formally announced in the Federal Assembly (parliament) this week by the Prime Minister, Mr Branko Mikulic, will lead to fresh injections of Western investment in Yugoslav industry.

During his London visit, Mr Rikanovic met Mr Nigel Lawson, the British Chancellor of the Exchequer, and Sir Geoffrey Howe, Foreign Secretary. He explained the growing crisis in Yugoslavia and what measures the country was taking to reduce inflation and boost business confidence.

Mr Rikanovic said the talks were very interesting for both sides and that Mr Lawson and Sir Geoffrey believed the economic programme being debated in Yugoslavia could bring about positive results.

But British creditors and the Government are waiting to see positive signs from Belgrade.

This week Mr Robin Leigh-Pemberton, the Bank of England Governor, is in Belgrade to talk with his opposite number in the National Bank. His visit is the first by a governor of the bank since 1978.

At the end of the month, the Yugoslavs will meet their Western creditors in New York in an attempt to agree rescheduling of the country's foreign debt, now totalling $20bn.

Poles may turn to West for aircraft

A SENIOR government official has hinted that Poland is considering equipping Lot, the national airline, which has traditionally been supplied by the Soviet Union, with some Western aircraft, Christopher Bobinski reports from Warsaw.

The statement came from Mr Zbigniew Szalajda, the Deputy Premier responsible for industry, who headed the government's inquiry into the crash of a Lot Ilyushin 62-M airliner last May. The inquiry recommended enhanced safety and maintenance procedures for Lot's Soviet-built IL 62-Ms.

On the issue of equipment for Lot, which until recently was a taboo subject in the media, Mr Szalajda said: "We are talking to our traditional Soviet supplier to whom we want to go to re-equip the airline, but I do not exclude the possibility of supplementing the Lot fleet by other suppliers."

Spanish union's rift grows with government

BY TOM BURNS IN MADRID

THE GROWING estrangement between Spain's Socialist government and its "fraternal" trade union, the Union General de Trabajadores, gathered pace yesterday following the decisions by Mr Nicolas Redondo, the UGT veteran leader, and the union's organising secretary, Mr Anton Saracibar, to resign their Socialist seats in parliament in protest at the government's budget proposals.

In a further hostile move towards the government, the UGT announced that it would co-sponsor a series of moves among public service employees and pensioners with its rival union, the Communist-led Workers Commissions, to protest against 4 per cent ceilings on pensions and public sector wage rises that are outlined in the budget.

Mr Redondo, who has sat as a Socialist MP representing his native Bilbao since free elections were restored to Spain in 1977, has increasingly emerged as the chief critic of the pragmatic policies pursued by the government of Prime Minister Felipe Gonzalez since it was elected to office in 1982.

An austere one-time steel-worker who was arrested on numerous occasions for his trade union activities during the Franco years, Mr Redondo, 60, is widely admired for his integrity and is hailed as the "socialist conscience" of the governing party.

Mr Redondo's decision to resign over the budget proposals for pensioners and public empoyees reflects his often stated belief that the government has veered excessively towards the right and favours businessmen and bankers rather than its own working class rank and file.

Following his resignation Mr Redondo will be under pressure to serve as a rallying point for the left-wing of the party in the run-up to the Socialist Party's congress, held every three years, which is scheduled for next January. The party is due to debate a controversial amendment that seeks to drop its self-definition as the party of the working class.

Mr Redondo has, however, consistently stated that his chief aim is to gradually sever the links between the party and the UGT and consolidate the trade union's independence from the party.

Antagonists play for high stakes in Angolan conflict

Battle lines have been drawn again, **Victor Mallet** reports

WORSENING military confrontation in the bush country of southern Angola is, on the face of it, a carbon copy of the situation two years ago. But this time the international stakes appear to be higher.

Heavily-armed government troops, supported by Cuba and the Soviet Union, are hoping to capture the airstrip at Mavinga - which is long enough to take lumbering Soviet transport planes - before advancing on the headquarters of the US-backed Unita rebels at Jamba further south.

Dr Jonas Savimbi, the rebel leader, is hoping for timely South African air strikes and for early rains to bog down the mechanised forces of the enemy. His men are dug into bunkers and foxholes around Mavinga, once a pretty Portuguese town but now a shell.

Two years ago the Government suffered a crushing defeat at the Lomba River just north of Mavinga when South African jets based in neighbouring Namibia, apparently taking advantage of a brief lapse in the Government's air defences, destroyed a densely-packed armoured column advancing on Mavinga.

Since then the involvement of the two superpowers in the 12-year-old civil war has steadily increased.

Although the two former Portuguese colonies of Mozambique and Angola have suffered comparable levels of devastation, Angola's war, funded on the government side by exports of oil, employs immeasurably more hardware.

For the past year Soviet armaments - $1bn worth according to US officials - have been pouring into Angola. Transport planes queue up at the airport in Luanda to ferry the equipment south.

Dr Savimbi now believes that he is faced with the Government's most determined offensive yet, and says that there are more than 18,000 troops, led by a Soviet general and supported by 100 tanks, poised to attack Mavinga.

Unita is not without allies. The South Africans publicly acknowledge that they support Unita, which they regard as a useful force for keeping Angola weak and for hampering infiltration into Namibia by nationalist guerrillas of the South West Africa Peoples Organisation.

When South African soldiers die, it usually happens in what is officially called "the operational area" - a flexible zone stretching from northern Namibia to somewhere in Angola. In addition South Africa has a special battalion composed largely of black Angolan exiles for operations north of the Namibian border.

Unita, which already takes advantage of Angola's porous borders with Zaire and Zambia, is now also supplied with weapons by the US through Zaire. Dr Savimbi visited the US and saw President Ronald Reagan last year and is reported to have been provided with sophisticated Stinger anti-aircraft missiles.

There is always a slim possibility that South Africans and Russians will one day stumble across each other in Angola, but neither of the major players behind the scenes is keen to become too deeply embroiled in the Angolan conflict.

South Africa is unwilling to risk its ageing, if well-piloted Mirage jets against an Angolan airforce equipped with modern Soviet fighters and supported by a line of Cuban-run air defences running from Lubango to Cuito Cuanavale. Recent unconfirmed reports suggest that Luanda is now using its new MiG 23s, which if true will make South Africa's efforts to provide air cover for its forces on the ground more hazardous.

The Pretoria Government prefers small-scale forays and sabotage raids by commandos and even these can go wrong, as Major Wynand du Toit discovered when he was captured in the far north of Angola near some oil installations in 1985. He eventually returned home last month after a prisoner exchange involving 133 Angolans held by Unita.

The South African authorities do not want too many white soldiers killed in an unpopular foreign war, and the same could be said of the Russians. They and the Cubans generally stay well away from the front line, to the chagrin of the Angolan conscripts following their orders.

Whatever happens in southern Angola before the onset of the rains, it is not likely to end the civil war. Nor is it likely to bring any nearer a solution to the conflict in Namibia, with South Africa and the US still insisting on the withdrawal of some 30,000 Cuban troops from Angola as a condition for Namibian independence.

Unita, fielding about 60,000 men against the Government's 100,000, holds no major towns but operates all over the country.

Sikh militants rounded up in move to halt Amritsar rally

BY JOHN ELLIOTT IN NEW DELHI

SECURITY precautions were stepped up across north-west India yesterday in an attempt to curb activities of Sikh extremists who killed 11 people in New Delhi suburbs on Tuesday night in advance of a major rally in the Sikhs' Amritsar Golden Temple today.

More than 400 suspected extemists were taken into temporary custody yesterday from the Golden Temple and other parts of the troubled northern State of Punjab as security forces tried to stop the rally, called a Sarbat Khalsa, from being staged in the temple by the Sikhs' militant five-member panthic committee.

The Government fears that the rally could increase militant calls for Khalistan, the extremists' name for an independent Sikh state of Punjab, and lead to an escalation of violence. Already more than 1,000 people have been killed in the Punjab this year as the political and security situation has deteriorated.

The imposition six months ago of president's rule, which involves direct rule from Delhi, has not led to an easing of the situation. The system of president's rule is expected to be extended

The killing of 11 Hindus by Sikh extremists in southern Delhi suburbs on Tuesday night marked the second random assassination attack by Sikh extremists in the city during the past few months. The first, in June, was the worst terrorist attack in the capital for two years and 12 people were killed.

Tuesday's attack was staged to instil fear into Hindus as they celebrate their annual new year festival of lights, called Diwali, today. Extremists hope to provoke a Hindu backlash which would force Sikhs living outside Punjab to move back to their home state, while also driving out Hindus who live in the state.

Iran offers to 'call it quits' after revenge

BY TONY WALKER IN DUBAI

IRAN said yesterday it was determined to get even with the United States following the US attack on Monday on two Iranian oil platforms in the Gulf and "call it quits."

Mr Mir-Hossein Mousavi, Iran's Prime Minister, was quoted by IRNA, the Iranian news agency, as saying that 'after we deal our reprisal blow we will call it quits.'

It was unclear whether this was an implied invitation to the US to halt further tit-for-tat strikes in the Gulf.

Mr Mousavi was speaking to the Iranian press on board his aircraft on his way back to Tehran from Syria where he had been consulting with the Syrian leadership

According to IRNA, Mr. Mousavi disclosed that the "US has sent a message through Syria saying if Iran does not retaliate ...Washington will halt provocations."

"Our response to the message was we will not let any blow go unanswered, compromise is impossible and we will retaliate (against) the attack," IRNA quoted Mr Mousavi as saying.

Gulf states are meanwhile bracing themselves for an Iranian reprisal. The mood in Kuwait is jittery.

Oil and port officials on the Saudi-Kuwait border were quoted as saying that all oil refineries and export terminals were operating normally.

The Central Gulf Iranian-chartered tug boats were still late yesterday fighting a blaze on the Rostam Oil production platform hit in Monday's raid.

According to shipping sources, eight tug boats were clustered around the Rostam platform in an effort to extinguish the blaze and cap the well. Eye-witnesses reported flames and smoke billowing hundreds of metres into the air.

Iraqi jets have resumed air strikes in the Gulf after a break of eight days. In Baghdad a military spokesman said aircraft struck a maritime target near the Iranian coast late on Tuesday. There was no independent confirmation that a vessel had been hit.

A fresh American convoy was heading yesterday for the Sea of Oman outside the Gulf. Two tankers, the 80,000-tonne Ocean City and the 46,000-tonne Gas King, were being escorted by two US warships.

Joan Wucher King reports from Kuwait that the American Embassy strongly denied reports of an explosion yesterday at the Mina Saud power station in Southern Kuwait. Visual inspection of the plant revealed no evidence of damage, and there were no signs of power cuts in the area or in Kuwait City itself.

Indians offer surrender terms to Jaffna Tamils

INDIAN FORCES besieging Jaffna town in northern Sri Lanka renewed appeals yesterday to trapped Liberation Tigers of Tamil Eelam guerrillas to surrender their arms, **Reuter reports from Colombo.**

An Indian High Commission official told reporters that leaflets were being dropped over rebel areas assuring them of full security and protection if they surrendered their arms. The same message was being repeated constantly over radio and by loud hailers in Tamil and English.

But the official stressed there would be no letup in the Indian military drive against the guerrillas holed up in Jaffna. She said the surrender call was renewed because rebel radio intercepts "clearly indicated that a large number of... cadre are in favour of surrendering their arms."

She said the surrender message was specifically directed at Tiger cadres. Under its terms "militants who hand over their arms will be provided full security and protection by the peacekeeping force. They will also be granted full amnesty."

The official said house-to-house fighting was going on as Indian troops moved towards the center of town. She said in 12 days of fighting, 127 Indian troops have been killed, 379 wounded and 27 listed as missing in action. Rebel loses were given as 607 killed, based on a body-count, and more than 280 captured.

In the first independent eyewitness account of the fighting in Jaffna, a Sri Lankan correspondent working for Reuters who could not be named for security reasons, said the Tigers were holding off the Indian troops at the outskirts.

India began its attack on October 10 to enforce the July 29 Indo-Sri Lankan peace accord giving Tamils more autonomy in the north and east.

S Africa peace talks fail

TALKS BETWEEN the United Democratic Front and the Inkatha organisation have failed to end a year of growing violence in Pietermaritzburg's black townships, Jim Jones reports from Johannesburg.

The violence, scarcely noted in official police reports, has claimed the lives of more than 90 people in the past year and 42 in the past month, and is escalating with almost daily evidence of maimings, petrol bomb attacks on homes, stoning of motor vehicles and killings.

At its simplest level the fighting is about which black group will control the Natal capital's black township life. Inkatha draws most of its support from Zulus and is generally regarded as more conservative than the UDF, an umbrella anti-apartheid organisation of unions and civic groups. The UDF is detested by the Botha government while Inkatha is, at best, tolerated.

Nyerere to keep key post

By Michael Holman, Africa Editor

TANZANIA'S former president, Mr Julius Nyerere, looks set to extend his term as chairman of the country's ruling party and thus retain a powerful political influence.

The executive committee of the Chama Cha Mapinduzi party meeting in the capital Dodoma, at the start of a ten-day national conference, yesterday nominated Mr Nyerere for a further term as chairman. Three years ago he stood down as president and was succeeded by Ali Hassan Mwinyi. Mr Nyerere had said at the time that he would relinquish the party post this year.

Under Mr Mwinyi, Tanzania has resolved its differences with the International Monetary Fund and World Bank and begun to encourage the private sector. Mr Nyerere's nomination as chairman is almost certain to be confirmed next week by the party congress.

Philippine police break up illegal strikes

BY RICHARD GOURLAY IN MANILA

PHILIPPINE police began breaking up illegal strikes throughout Manila yesterday following President Corazon Aquino's pledge to businessmen on Tuesday to crack down on militant unions, many of which have ties with the Communist Party of the Philippines.

The police started by removing small camps and barricades that have grown up around illegal picket lines and which increasingly symbolised how the Government was not applying clear labour laws.

Businessmen, politicians and foreign bankers yesterday strongly welcomed the actions Mrs Aquino has already ordered to back up her get-tough policy on illegal strikes. They also welcomed her comments on many of the issues that have sparked the feeling that the Government is adrift without direction after a failed coup on August 28.

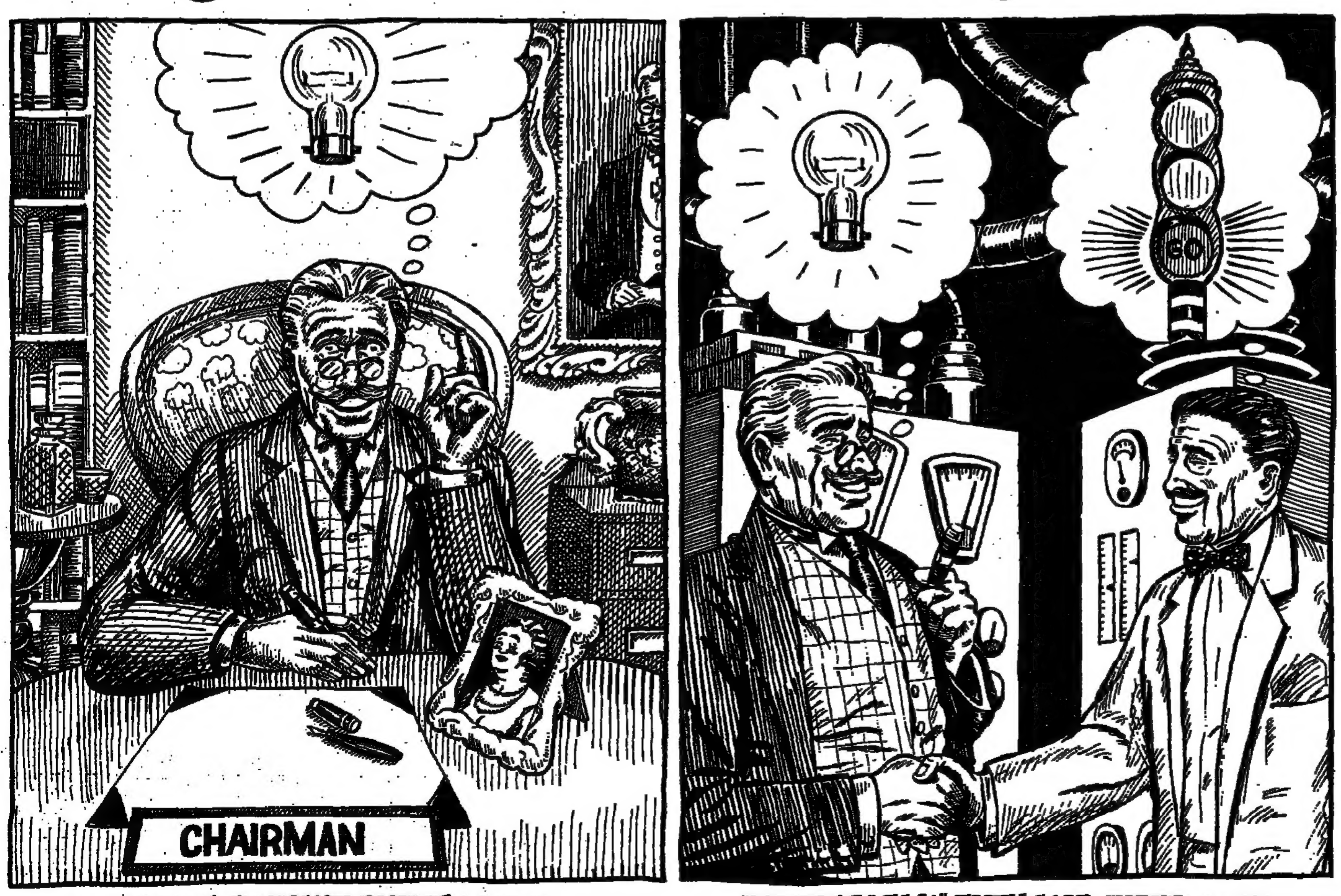
Mrs Aquino came across as ready and more than willing to confront the threats to her Government from communist-led guerrillas and renegade military rebels. She poured scorn on the old-style politicians trying to destabilise her Government and who, she said, were trying to regain their past privileges through the back door. "I have blocked all doors to power except elections in 1992," Mrs Aquino said.

She told the previously sceptical business community that she would drop her method of governing by consensus, pledging that, "Henceforth, I shall rule directly as President," and immediately issued some very hands-on orders to clear Manila's streets of rubbish

Before Hoskyns

"AHA!" THOUGHT PHILIP. HOWEVER, IN THE D.P. DEPARTMENT....

After Hoskyns



"AHA!" THOUGHT PHILIP AGAIN! "NO PROBLEM!" THEY SAID CHEERFULLY.

EVEN the brightest business ideas can run into a few hold-ups on the way.

And instead of being part of the solution, Information Technology can sometimes be part of the problem.

However willing, the dp department can be bogged down and unable to respond quickly to increased demands and strategic changes.

Especially when management sees the need for new systems and new applications.

At one time, if computers just managed to pay for themselves, they were considered a success.

Nowadays, they've got to earn their keep.

Information is a valuable resource, and the role of technology, we think, is to turn it into money.

It's a fresh approach to Information Technology. And as the UK's leading computer services company, we've got the resources – and the experience – to help you make it happen in your organisation.

We build more systems in a year than most companies do in a lifetime – yet every system is different and is designed to deliver specific benefits.

We provide a comprehensive service, from initial consultancy to system design, development and implementation, including user education. We can take full responsibility for an entire project or we can supply specialist skills to supplement your own team.

And when you add Hoskyns total independence of supply, it means that we can not only advise on the best solution for you, we can deliver it as well.

That's Hoskyns – managing your Information Technology and leaving you more time to manage the business.

You should be talking to Hoskyns. Because if Information Technology doesn't make money, it doesn't make sense.

hoskyns

Together we can make computers make money

Hoskyns Group plc, Hoskyns House, 130 Shaftesbury Avenue, London W1V 7DN Telephone 01-434 2171

AMERICAN NEWS

Reagan under pressure to tackle US budget deficit

BY STEWART FLEMING, US EDITOR IN WASHINGTON


Ronald Reagan: hand of conciliation

ON Tuesday evening with the blades of the helicopter which would take him to see his wife at Bethesda Naval Hospital whirring noisily in the background President Ronald Reagan shouted bitterly to reporters gathered on the White House lawn "the Congress is responsible for the deficit."

The President had just finished reading a statement prepared earlier in the afternoon by Mr Howard Baker, his Chief of Staff, Mr James Baker, the Treasury Secretary and Mr Alan Greenspan, the Federal Reserve Board Chairman, and aimed at calming financial markets whose spectacular gyrations are threatening to tip the US economy into recession.

As the centrepiece of that statement Mr Reagan held out what appeared to be the hand of conciliation to critics on Capitol Hill who had been baying throughout the day for the President to drop his obstinate opposition to a tax increase as part of a budget deficit compromise and to hold a "summit" meeting with them to hammer out an accord.

For the first time he signalled that he was ready to meet with Congressional leaders to try "to reach agreement on a budget deficit reduction package."

Mr Reagan had read his lines like the good trouper he is. But now, as he was about to return to private life his gut instincts, his 30 years of fighting what he sees as the profligate pork barrel politics which has produced his country's trillion dollar Federal budget could be suppressed no more.

"You mentioned the Democrats," the 76-year-old President shouted over the noise of the helicopter engines. "For virtually half a century or more they have controlled both Houses of the Congress. And for more than half a century there has been, with only single year exceptions, a budget deficit."

Now Mr Reagan is clearly under heavy pressure to tackle the budget deficit. On Capitol Hill it is not just the Democrats, who as in 1984, have put their names again on the need for a tax increase to solve the problem and want Mr Reagan to agree and get them off this electoral hook who are pressing.

Republican Senators like Mr Robert Dole and Mr Alexander Haig have been pressuring the President to provide leadership and tackle the deficit issue.

And there is of course the pressure from Wall Street which is anxiously watching to see whether the collapse of world stock markets will trigger an outbreak of fiscal responsiblity in Washington.

It is far from clear, however, just what Mr Reagan's vague commitment to enter into talks with Capitol Hill will add up to. Those in his party, who with an eye on next year's elections, fear that Wall Street's collapse could trigger a recession and believe a deficit compromise is needed to avoid that political disaster, would like to see Mr Reagan fulfil the implicit pledge he made on Tuesday and cut a budget deal.

But Mr Reagan is clearly in no mood in his last year in office to sully his political legacy by conceding anything which his political opoonents could convincingly label a tax increase.

On the other hand the fact that Mr Reagan was prevailed upon to make the statement his top financial advisers said was needed, just as they had insisted on the eve of the International Monetary Fund annual meeting that the sign the new Gramm-Rudman-Hollings deficit reduction package,does suggest that moderates like the two Bakers *may* be able to inch the President towards compromise.

Neither Wall Street nor the West German Government should raise their hopes too high however. Mr Jim Wright, the House Speaker, can try to raise the ante, as he did on Tuesday, by calling for the President to go beyond the $23bn deficit reduction package which Congress is now working on under the new Gramm-Rudman-Hollings law. But even Democratic budget experts on Capitol Hill say that this is the most that can be anticipated.

As a symbolic step, and one which could help to pave the way to a more vigorous attack on the deficit in 1989 (if we get there without a recession) such a compromise, if consumated, is significant. But as Dr Henry Kaufman, the Salomon Brothers economist, pointed out in an interview on public television on Tuesday night after listening to Mr Miller and Rep William Gray, the chairman of the House Budget Committee bickering on the same programme: "I hear considerable acrimony and differences as to what would occur. This to me is very disappointing" for even if a budget compromise is agreed it would leave the 1988 deficit on current (optimistic) forecasts at $162bn.

Canute James on problems facing a plan for unity among Caribbean states

Islands fail to bridge differences

A PLAN by seven small, eastern Caribbean islands to merge into a single state has lost much of the steam which accompanied the announcement earlier this year.

The enthusiasm has evaporated and has been replaced by attacks by some leaders on their colleagues, by proposals for alternative mergers, and by ambivalence as some of the leaders re-think the feasibility of the federation.

One leader has said bluntly that he wants no part of a unitary state, and three others have considerably tempered their original support, leaving the others with more than a small degree of difficulty in maintaining credibility in the idea.

The seven countries – St Lucia, Dominica, Grenada, St Vincent, St Kitts, Antigua and Montserrat – had agreed in principle to create a unitary state with a population of 550,000 over 1,000 sq m.

Some leaders had suggested a federal republic based on a constitution to be put to a referendum in the islands. They argued that such a union would make economic sense for the small states.

The effort has been hit, however, by the blunt rejection of the plans by Mr Vere Bird sr, the Prime Minister of Antigua, who says his country had no interest in being part of "a new form of colonialism."

Mr Bird has bitterly attacked the Prime Ministers of St Lucia, St Vincent and Dominica – firm supporters of the federal idea – claiming they tried to dissuade France from giving Antigua a loan to rehabilitate the island's airport.

"They went to the French and protested against them lending us the money," Mr Bird said. "So if they get us into this unitary state, we know what they are going to do to us."

It is confusing, for while rejecting the proposed federation, Mr Bird has said he intend seeking some association of his island with St Kitts and Montserrat for "greater function co-operation" in the eastern Caribbean.

While the leaders of these two islands, and of Grenada, have not publicly withdrawn their interest in being part of a federation, they have not been speaking in support of the idea.

All this, however, has apparently not dampened the enthusiasm for the federation among the leaders of St Lucia, Dominica and St Vincent.

Mr John Compton, Prime Minister of St Lucia, has repeatedly argued the case for the federation, saying it is a political and economic necessity.

He rejects suggestions that, under the federation, freedom of movement between the islands would be to the detriment of some members.

"There is no point in talking about political union and one single government, if its citizens cannot move around or work or live in their own country," Mr Compton says. "These islands are at about the same level of economic development and, except for Montserrat, we have about the same population – 100,000 more or less – so there is no reason why there should be a mad rush from one to the other."

Opposition parties in the seven islands say they support the federation plan, but insist that it must be approached in a more orderly fashion.

Mr Oscar Allen, leader of the United Peoples' Movement in St Vincent, suggests that the current proposels for a unitary state are based on the failure of the economic policies of the current administrations. He said a new and carefully planned approach is needed instead of the "hasty and undemocratic initiative" which is proposed.

There is also concern within some sections of the regions' business communities that the regions' political leaders are really prepared for a merger.

"Is there really any widespread political will for unity?" asks Mr Ricky Skerrit, executive director of the St Kitts Chamber of Industry and Commerce.

"We know that one or two countries have expressed either total disagreement or strong reservations. The business community is sceptical about whether the politicians in the region are serious about political unity."

The eastern Caribbean islands, whose economies are based on bananas, spices and tourism, have a history of economic co-operation which could provide the basis of political unity, all being members of the Organisation of Eastern Caribbean States, a sub-group of the Caribbean Economic Community. They have a common currency and one central bank.

Mr William Demas, Caribbean Development Bank President, feels that this provides a basis for viable political unity. "Because of their small size, these countries could benefit from having a single, unified and truly common market for goods and services, capital and manpower," he argues. "There needs to be a total pooling of markets and resources among all the countries."

But he warns that political integration on its own is not enough to solve the financial and economic problems of the small islands. "Political union is a necessary, but not a sufficient condition for achieving these highly desirable goals."

Government officials in the three countries, who still actively back the planned federation, say the inclination of the governments is towards going ahead with the creation of a unitary state, rather than abandoning the effort.

Brazil offers token interest payment

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL is ready to make a token interest payment on its $68bn of longer term commercial bank debt only if the banks commit themselves to a three year rescheduling agreement covering 1987-1989.

That was the unequivocal position of Mr Luiz Carlos Bresser Pereira, the Brazilian Finance Minister, just three working days before US bank regulators must decide on whether to downgrade the status of the country's debt to "value impaired."

Both the US banks and the Brazilians are anxious to avert a downgrading next Monday, fearing that this would merely harden negotiating stances. But as talks were continuing in New York yesterday there still appeared to be clear differences between the two sides.

Speculation has mounted, however, that the US regulators may feel unable to reduce the status of Brazilian debt following the dramatic events on Wall Street this week for fear of provoking new falls in bank shares.

Speaking in Brasilia on Tuesday, Mr Bresser insisted that Brazil could not accept the banks' proposals for a substantial payment of interest suspended since the country's February 20 moratorium.

He claimed that pressure from the banks to pay all the outstanding interest falling due for the first half amounted to an effort to force Brazil to end its mortatorium.

"They speak about a token payment, but this amounts to a provisional settlement of 1987," the minister said. "Brazil cannot accept because it wants to negotiate the debt for the next three years and make a real advance on the terms won by Argentina, Mexico and the Philippines.

"If we make a provisional agreement,the negotiations will take much more time. That's bad for the banks, bad for the US bad for the capitalist world."

He added that Brazilian foreign exchange reserves - believed to be at about $4bn - and continuing payments of the $8.5bn due this year to other foreign creditors and institutions made a full payment of the $4.3bn in 1987 commercial bank interest impossible.

But the minister said he would be able to make a "real token payment" as a goodwill gesture as long as the banks agreed to negotiate without demanding from Brazil that the outcome be linked to an accord with the International Monetary Fund and as long as the banks also agreed on the simultaneous exchange of new loans for interest payments and on progress on procedural issues.

Solow wins Nobel prize for economics

BY SARA WEBB IN STOCKHOLM

THE 1987 Nobel Economics Prize was yesterday awarded to Professor Robert M Solow of the Massachusetts Institute of Technology for his contribution to the theory of economic growth.

The Royal Swedish Academy of Sciences said Professor Solow had made "exceptional contributions towards the study of factors which permit production growth and increased welfare."

Prof Solow, 63, is considered to have influenced questions of long term economic growth - which were topical in the 1950s and 1960s but have since become unfashionable.

His most important work was carried out in the 1950s: his growth theory model was presented in 1956 in an article entitled "A contribution to the theory of economic growth." This model proved highly influential and spawned a host of so-called neo-classical growth models in the 1950s and 1960s leading to a better understanding of the long-term growth of economies.

Prof Solow's main contribution was the analysis of the possibility of changing the proportions of capital and labour used in production. By contrast previous growth theory had assumed strictly fixed proportions.

Prof Solow laid the foundations for "growth accounting." His analyses showed that only a small proportion of annual growth could be explained by increased inputs of labour and capital, and that the distribution of GNP between wages and profits was not affected by technical change.

In the 1970s, he studied the role played by natural resources in economic growth and environmental consequences of growth. More recently he has concentrated on macro-economic questions involving unemployment and economic policy, and has been a member of the US President's Council of Economic Advisers. He has been professor of economics at MIT since 1958.

He is a strong Keynesian noted for his great resistance to monetarist ideas. On one occasion, he was taken to task for lumping all the monetarists together - to which he replied that to a poodle, all poodles look different, but to everybody else, all poodles look the same.

Japanese machine tool exports to EC fall sharply

EXPORTS to Europe of Japanese machine tools, an emotive industrial issue within the EC, slumped by 30 per cent during the first half of this year.

This severe fall has bemused some European machine tool makers, who have been pressing the European Commission to take action against the level of Japanese imports, though the machine tool industry itself is not sure what that could be.

On the face of it the import figures, collected by Cecimo, the European machine tool makers' committee, reinforce what Japanese machine tool makers have been telling their European competitors: that their production and exports are down this year by between 20 and 30 per cent. Most of Japan's biggest machine tool makers have been making losses.

> There is evidence that the Japanese are switching strategy - installing more capacity in Europe

At the same time, there is now strong evidence that the Japanese are switching strategy by installing more assembly and production capacity in Europe.

Japanese machine tool makers have spent a lot of money doing this in the US. Now, within the past year or so, at least seven Japanese companies have either started production in Europe, announced that they will do so, or have raised to above 50 per cent their stakes in European machine tool companies.

However, European machine tool makers are suspicious about the significance of the Japanese import figures. Mr Lucien Rama, Cecimo's general *secretary, says they might* reflect a worsening of the European machine tool market, not a fall in Japanese penetration.

Measured by value, the Japanese had 4.5 per cent of the European machine tool market in 1980, 9.1 per cent in 1985 and 8.9 per cent last year. In machining centres and lathes, where the Japanese have targeted their sales, their market share is about 25 per cent.

Cecimo is also worried that the volume of Japanese imports is probably hidden by re-exporting from European countries with changed country-of-origin tags.

For example, exports of machine tools from Belgium jumped from SFr 325m ($233m) in 1985 to SFr 473m last year. Belgium is a minor machine tool maker, and most of these exports are believed to be Japanese machines.

The issue of re-exporting also affects exports from the Netherlands, Austria and the Republic of Ireland.

Last year, there was a very large influx of Japanese machines into the UK. "We still do not know what this means," Mr Rama said this week at Milan's big Emo machine tool exhibition. "*It is possible that* Japanese machines come in via the United States to the UK and are then re-exported as UK machines."

The apparent steep decline in Japanese machine tool exports to Europe will not make it easier for European companies seeking help from the EC Commission.

The Italian industry, in particular, seems very nervous about what the Japanese will do next because it believes the *Italian market will* now be a principal target *for* Japan's machine tool companies.

The Europeans, though, do not seem to know what they want the Commission to do. Mr Rama said that tariffs would not be a good thing because they could make European companies lazy.

European machine tool makers argue they are just as competitive as the Japanese. They point to the 4.2 per cent of the Japanese machine tool market *taken by Europeans in 1985* as evidence of that.

One of their main bones of contention appears to be the hours worked by Japanese machine tool *companies*. Cecimo says the average European company works about 1,600 hours a year but Japanese competitors average 2,200 hours to 2,400 hours a year, very little paid as overtime.

Chinese sign deal with C&W

By Lynton McLain

CABLE & Wireless, the UK telecommunications company, has signed a joint co-operation agreement with the post and telecommunications administration of Tianjin province, in the People's Republic of China. The company has not disclosed the value of the agreement.

The agreement is for assisting the province in developing telecommunications services and was signed by Cable & Wireless and by Mr Zu Rong Chun, the director of the post and telecommunications on Tuesday.

Sir Eric Sharp, the chairman of Cable & Wireless said: "Cable & Wireless is pleased to be helping to improve telecommunications in Tianjin in a way which will also benefit Hong Kong and Macau."

The company already has several *agreements* and *contracts* with the People's Republic of China. These include a joint company, the Shenda Telephone company, with Shen Zhen, which operates a telephone network with 27,000 subscribers. Cable & Wireless has 49 per cent of the company and the Chinese authorities have the balance.

Cable & Wireless has also has built a 1,000 km microwave link in Guangdong province.

David Owen reports on a law with constitutional implications

Ottawa's unusual drug patent bill

THE MULRONEY government will be glad to see the back of bill C-22 - its proposals to change Canada's unusual drug patent law.

What began as a straightforward if controversial decision to extend patent protection for the brand-name pharmaceuticals industry by a Government with a comfortable House of Commons majority has evolved into a constitutional debate with far-reaching implications.

In recent days, it has also prompted aspersions, cast by opposition MPs, about the Government's integrity at a time when a series of political scandals has already served to undermine its credibility.

Since its introduction in 1969, the multinational corporations which dominate Canada's brand-name drug market have been fighting for the softening or abolition of the contentious "compulsory licencing" system. This procedure forces foreign-based pharmaceutical suppliers to licence Canadian manufacturers to import and produce their patented prescription medicines in exchange for a 4 per cent royalty fee.

Canadian patent laws normally *allow inventors* of a new drug up to 17 years of exclusive production rights. Under compulsory licencing, however, generic manufacturers can start selling copies of patented *drugs* as soon as they are able. This can be as little as 4 years after the original hits the market.

Bill C-22 proposes instead to *grant manufacturers of new* drugs 10 years of market exclusivity. Generic manufacturers can reduce the exclusivity period to 7 years if they agree to *source the drug's active ingredients* domestically. To keep drug prices under control during the initial monopoly period, the bill would establish the Patented Medicines Price Review Board, empowered to remove compulsory licencing protection from any drug *it found to be* overpriced, together with one other in the offending firm's product range.

Michael Wilson: concessions

Not surprisingly, the bill has received the *strong backing* of the multinational drug companies, who have announced plans for well over C$1bn of extra research and development spending in Canada over the next eight years - a commitment which, they say, would be impossible without the promised additional patent protection.

However, it has been bitterly opposed by the generic manufacturers, who have carved out a C$200m niche in the C$2.3bn per annum Canadian pharmaceuticals industry, and *various* consumer protection groups. They argue that the bill would result in higher drug prices and question the effectiveness of *the proposed* consumer watchdog.

Opponents of the bill have recently been joined by a somewhat unlikely ally in the shape *of* the Senate (the Canadian Upper House), which has twice stalled the legislation's passage by referring it to committee.

After the first hearing, the Senate sent back to the Commons its own version of new patent legislation, providing only 4 years of exclusivity for inventors of new drugs and a 14 per cent royalty fee, in line with recommendations made in a 1985 royal commission report on the industry drafted by Mr Harry Eastman, a Toronto economist.

These delaying tactics have *infuriated* Mr Harvie Andre, the Corporate Affairs Minister, who duly shepherded the bill through the Commons a second time in essentially unamended *form*, and *explain why* the *affair* has acquired its constitutional dimension.

The bill's supporters contend that the unelected Senate, which is still dominated by the Liberal appointees of the Trudeau era, has no right to frustrate the will of the elected representatives of the House of Commons. The Senate's *stance* has prompted calls for the right of the rarely-used veto which it retains over most Commons-promulgated legislation to be abolished.

Meanwhile persistent doubts over the precise relationship (if any) between bill C-22 and the tentative Canada-US free trade agreement are also posing problems for the Mulroney government. Over the years, the Reagan administration has made no secret of its desire for stronger Canadian drug patent legislation.

According to local press reports, a version of the pact, initialled by negotiators from both sides on October 3, included a commitment by Canada to pass the current bill. A subsequent version of the deal initialled the following day made no reference to it.

Opposition MPs, including Mr John Turner, the Liberal leader, who has been rather upstaged by the success of his Upper Chamber colleagues in *stalling the bill*, have picked up on this, claiming that Mr Michael Wilson, the Finance Minister and other Canadian negotiators signed a version of the *agreement which included* concessions on bill C-22. Mr Wilson has repeatedly insisted that the bill "was not and is not related to the free trade agreement."

GE secures $600m JAL engines deal

By Carla Rapoport in Tokyo

JAPAN Air Lines has chosen *General Electric to supply* its aircraft engines,in a deal estimated to be worth more than $600m over the next 10 years

JAL chose the GE engine *over those offered* by Pratt & Whitney and Rolls-Royce, marking the company's first departure from Pratt & Whitney engines in 20 years. Rolls-Royce is *understood to* have been a close contender until the last minute.

The initial order is for 20 GE CF6-80C2 engines to be used in *the 747-400 aircraft* JAL ordered from Boeing last month. However, JAL is expected to eventually use Boeing and GE equipment to replace all its long-haul aircraft over the next 10 years

Japan has come under strong pressure from the US government to ease the trade imbalance between the two countries. As a result, the nation's flag carrier is understood to have helped tip the balance toward an American supplier for the engine order. Also, *GE has* so far sold more engines to power the 747-400s and other new generation jets than P&W and Rolls Royce.

Though JAL's mainstay engine *has been* the Pratt & Whitney JT9-D, a new engine was needed for the 747-400, which has a longer range than its predecessors.

Norwegian shipping seeks to curb UK

BY KAREN FOSSLI IN OSLO

NORWAY'S Shipping Association has asked the Prime Minister Mr Gro Brundtland to impose trade sanctions against British supply vessels operating in Norwegian waters.

The request comes after a long and bitter battle between the two countries' shipping officials over fair and equal opportunity for gaining work for vessels in offshore oil industry services.

The Norwegians claim that their vessels have gained less work in UK waters than British vessels have in Norwegian waters. However, UK vessels are much older and less sophisticated than those of their Norwegian competitors and therefore they are able to offer lower prices for contracts.

The Norwegian Shipping Association maintains that British shipping officials are "totally uninterested" in implenting a solution which would allow Norwegian vessels "market entry" into the UK sector.

The association has accused British shipping officials, specifically the Offshore Supplies Office, of asking oil companies operating in the UK sector to discriminate against Norwegian vessels when awarding contracts.

According to Norwegian figures, British exports to Norway are 10 times greater than Norwegian exports to the UK. The association estimates that this year, the UK will export some NKr1.5bn ($227m) to NKr2bn worth of goods and services to Norway, whereas Norway is expected to export only some NKr150m to NKr200m.

Mr Horace Davey, general secretary of the British Offshore Supply Vessels Association, said the Norwegian complaints were based on "misleading" figures.

Mr Davey said the Norwegian share of business in the UK sector had fallen only because the overall market was diminishing.

"We believe that *de facto* protectionism is already operating against us in the Norwegian sector, so sanctions against us would not be anything particularly new."

The Restrictive Trade Practices Court is expected to rule shortly on a report by the Office of Fair Trading into allegations that a cartel of British supply boat operators existed from July last year to February 1987.

Trident missiles will remain the property of US

BY DAVID BUCHAN

BRITAIN'S Trident missile system, due to come into service in the mid-1990s, will effectively remain the property of the US, it was disclosed yesterday.

The UK missiles will be "part of a mingled stock" shared between the two countries, according to senior Royal Navy officers and Ministry of Defence officials at the Faslane submarine base at Clydeside in Scotland and the nearby Coulport armaments depot.

The missiles, made by Lockheed, will be returned to the US for possible use in its submarines when British submarines are laid up for refitting or decommissioning.

The arrangement contrasts with that for the present Polaris missile stock which is owned outright by the British Government.

Under the 1980 accord with the US for the joint maintenance of Trident missiles in Georgia, Britain will lose the ability to test, assemble and service its strategic nuclear weapons. Polaris missiles are tested and assembled from imported parts at Coulport.

Loss of this cability could be a serious constraint if the US terminated its Trident programme before the UK, as has happened with Polaris. However, a senior MoD official at Coulport said he assumed that the US had given the UK some assurances about long-term support for the Trident programme.

The UK Government has estimated a saving of £700m ($1155m) on the total Trident programme, currently costed at £9.25bn, by having missile assembly and servicing done at King's Bay in Georgia. No new assembly and test facilities have been built at Coulport.

Common servicing has allowed the two countries to have "a smaller missile population," one official said.

Nevertheless, £550m is being spent at Faslane to build a covered shiplift for Trident submarines which will be British-built and a 900-acre expansion at Coulport to hold in emergency up to 16 Trident missiles. These will have UK-built warheads on the Lockheed rockets.

The US is insisting that UK handling of Trident missiles be up to US safety standards because they may end up in US submarines. Six US officials are already at Coulport helping supervise the expansion.

RALPH ATKINS REPORTS ON COST-CUTTING CHANGES IN STATE BROADCASTING

BBC to sell stake in commercial operation

THE BBC plans to float part of its commercial operation on the stock market as part of a wide ranging five-year plan announced yesterday to cut costs and increase revenue.

The sale of a stake in BBC Enterprises, which sells television programmes, books and magazines produced by the corporation, will increase considerably the funds available for programme making. Even if the corporation kept a 75 per cent share, it could raise £100m ($165m).

The sell-off will complement other measures announced yesterday by the BBC. These include cutting staff costs by 1 per cent a year, reducing the operating costs of local radio stations by 10 per cent and increasing revenue from the sale of archive material and specialist services.

The five-year plan is the first ever published by the BBC. Mr Michael Checkland, director-general, told the corporation's staff yesterday that it had been prepared in response to major changes in broadcasting and restrictions on the future growth of licence fee income.

The plan also includes a major shake-up of national radio networks. Greater emphasis is to be put on VHF (very high frequency) broadcasts while medium wave frequencies are to be assigned new uses.

The strategy is likely to lead to jobs losses at the corporation but no details have been given about numbers.

However, the BBC stressed its committment to maintaining the quality of its programmes and increasing the diversity of its output. "We must ensure that the new opportunities which our creative programme makers will seek, can come out of a well-managed organisation," said Mr Checkland.

Other sources of revenue could include "downloading services." These are programmes broadcast at night for specialist viewers who pay for the service. Last week, the BBC announced plans of a special programme for doctors which is expected to raise about £1m a year.

Further support services including cleaning and security are likely to be contracted out. The BBC has no plans to operate or manage satellite or cable telvision services but it will offer archive material for sale.

BBC Enterprises currently operates as a limited company owned by the corporation. It has a staff of 850 and a turnover of about £130m, although this is forecast to rise to £200m by 1991.

The company shares many services, including computers, with the main corporation, but already plans are being made to break the links. Final details about the sale, which could be a private flotation or be open to the public, are expected to be announced within two years.

Details, Page 14

Deal agreed on shareholders' first refusal

BY CLIVE WOLMAN

A PEACE treaty was announced yesterday between corporate treasurers and institutional investors to end a long-standing dispute over the right of shareholders to have the first opportunity to subscribe to new equity issued by their companies.

The London Stock Exchange, which has mediated in the dispute, issued a set of seven guidelines on the pre-emptive rights of shareholders, endorsed by the Association of Corporate Treasurers and the investor protection committees of the National Association of Pension Funds (NAPF) and the Association of British Insurers (ABI).

The guidelines allow a listed company to issue up to 5 per cent of its share capital in any one year and up to 7.5 per cent in three years without granting pre-emptive rights. However the discount at which such shares are offered to outside investors must not exceed 5 per cent of the mid-market share price immediately before the announcement. The discount is defined to include the underwriters' fees, typically 2 per cent.

The guidelines cover the various forms of quasi-equity, such as Euro-convertible loan stocks and warrants, which several companies have issued over the last two years to sidestep the restrictions of the NAPF and ABI. However, the committee - comprising representatives from industrial companies, investment institutions and the Stock Exchange - which drew up the guidelines has backed away from tackling the problems of new equity issued by a company to make acquisitions.

The Stock Exchange Quotations Committee is currently examining how the rights of existing shareholders should be preserved in such situations, for example, by allowing them to claw back the shares issued to the shareholders of the acquired company.

The pre-emptive rights of shareholders are enshrined in UK company law, but can be overridden by a vote of shareholders.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY-Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100), registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol	Retail value	Unem-ployed	Vacs.
1986							
1st qtr.	109.8	102.7	97	119.2	146.0	3.171	166.5
2nd qtr.	109.8	104.0	97	121.3	154.0	3.293	175.6
3rd qtr.	111.0	105.1	96	123.7	156.7	3.202	200.2
4th qtr.	111.1	107.4	95	125.5	154.3	3.141	213.9
1987							
1st qtr.	112.1	107.5	94	125.4	157.0	3.073	218.4
2nd qtr	112.5	109.0	93	128.3	166.0	2.965	229.1
March	112.9	109.3	94	125.5	157.8	3.049	218.6
April	112.3	108.5	93	130.0	160.0	2.918	213.9
May	113.2	109.2	92	125.4	161.3	2.952	221.2
June	111.3	109.4	92	128.4	167.2	2.925	232.3
July	114.4	111.0	92	131.2	173.7	2.875	234.9
Aug.	115.3	111.5		132.5	178.5	2.829	237.5
Sept.				131.4		2.775	231.5

OUTPUT-By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1986							
1st qtr.	103.9	101.2	114.9	101.3	109.6	103.1	14.6
2nd qtr.	105.2	101.4	115.8	102.8	110.1	104.1	19.5
3rd qtr.	106.4	101.7	117.4	103.6	109.3	103.2	13.4
4th qtr.	108.5	103.4	115.9	105.4	115.6	104.7	15.5
1987							
1st qtr.	108.0	103.4	118.0	105.4	114.5	102.6	17.4
2nd qtr	110.8	102.5	118.0	105.4	120.6	106.1	19.5
January	107.1	101.9	116.4	104.0	107.9	103.0	12.7
February	109.0	103.4	118.7	105.0	121.9	102.0	18.6
March	108.0	105.0	118.9	107.0	116.0	101.0	20.8
April	110.4	102.2	118.0	105.0	116.0	106.0	18.1
May	111.3	102.3	119.4	105.0	121.9	106.0	20.4
June	110.7	103.1	116.5	106.0	125.0	106.0	20.1
July	112.9	104.1	119.8	107.0	129.0	108.0	20.5
Aug.	112.9	104.4	121.6	108.0	127.0	110.0	16.1

EXTERNAL TRADE-Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1986							
1st qtr.	117.5	124.9	-1,227	+682	+1,899	101.9	18.75
2nd qtr.	121.9	129.1	-1,608	+146	+765	102.5	19.29
3rd qtr.	122.6	129.0	-2,891	-910	+621	103.2	22.43
4th qtr.	130.5	144.9	-2,725	-963	+785	109.9	21.92
1987							
1st qtr.	130.0	133.2	-1,135	+672	+1,164	100.5	27.04
2nd qtr	126.3	140.7	-2,361	-174	+1,023	103.7	24.36
February	133.4	138.0	-202	+401	+323	100.4	22.28
March	128.9	130.2	-417	+185	+454	100.8	27.64
April	131.4	138.6	-626	+202	+423	102.3	29.81
May	123.9	144.2	-1,096	-367	+365	103.8	34.68
June	123.5	139.1	-740	-11	+545	104.4	34.36
July	131.3	147.6	-910	-310	+284	102.1	34.91
Aug.	128.4	154.9	-1,529	-529	+374	103.6	34.36
Sept.							34.81

FINANCIAL-Money supply M0, M1 and M3 (three months' growth at annual rate); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1986							
1st qtr.	4.1	21.4	19.3	+6,203	2,220	+855	11.50
2nd qtr.	3.1	25.9	27.3	+6,455	1,433	+346	10.00
3rd qtr.	5.9	20.3	15.4	+6,995	168	+792	10.00
4th qtr.	7.6	15.2	14.1	+10,516	2,814	+444	11.00
1987							
1st qtr.	1.2	20.6	20.2	+6,667	1,465	+952	10.00
2nd qtr	3.3	29.7	29.3	+8,657	1,804	+1,033	5.60
February	6.1	10.9	17.8	+2,878	472	+296	11.00
March	-3.8	33.8	29.4	+2,082	547	+399	10.00
April	6.1	20.3	33.6	+1,971	727	+410	9.50
May	5.5	37.6	32.8	+2,752	521	+294	9.00
June	4.5	30.8	21.9	+3,934	556	+329	9.00
July	7.7	34.5	24.2	+4,682	347	+241	9.00
Aug.	7.1	22.5	21.0	+1,967	667	+215	10.00
Sept.							10.00

INFLATION-Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	132.4	143.3	96.5	96.9	1,825	75.1
2nd qtr.	184.6	125.8	145.7	97.8	93.7	1,714	76.1
3rd qtr.	187.4	120.8	146.3	97.9	98.3	1,464	71.9
4th qtr.	191.6	127.4	147.4	99.1	98.5	1,603	68.2
1987							
1st qtr.	198.0	129.8	149.3	100.3	100.5	1,580	69.9
2nd qtr	198.6	128.7	150.8	101.9	101.8	1,598	72.8
3rd qtr		131.1	151.6	102.1	100.5	1,647	72.7
February	191.2	129.6	149.3	100.4	100.7	1,601	69.0
March	194.5	128.2	149.7	100.6	100.7	1,539	71.9
April	195.9	128.4	150.5	101.8	101.6	1,554	72.4
May	198.1	128.0	151.0	101.9	102.2	1,612	73.3
June	200.0	129.7	151.1	101.9	101.6	1,629	72.6
July	203.1	130.5	151.2	101.8	100.4	1,632	72.8
Aug.	201.8	131.3	151.6	102.1	100.7	1,655	72.3
Sept.		131.4	151.9	102.4	100.4	1,653	73.1

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

Weighing in at a nifty 20 lbs, we present the new Compaq Portable 386. Pound for pound it's the most powerful computer ever built. While others are struggling to deliver their first 386 based p.c's, Compaq (just a little proudly) bring you their leaner, fitter, faster second generation.

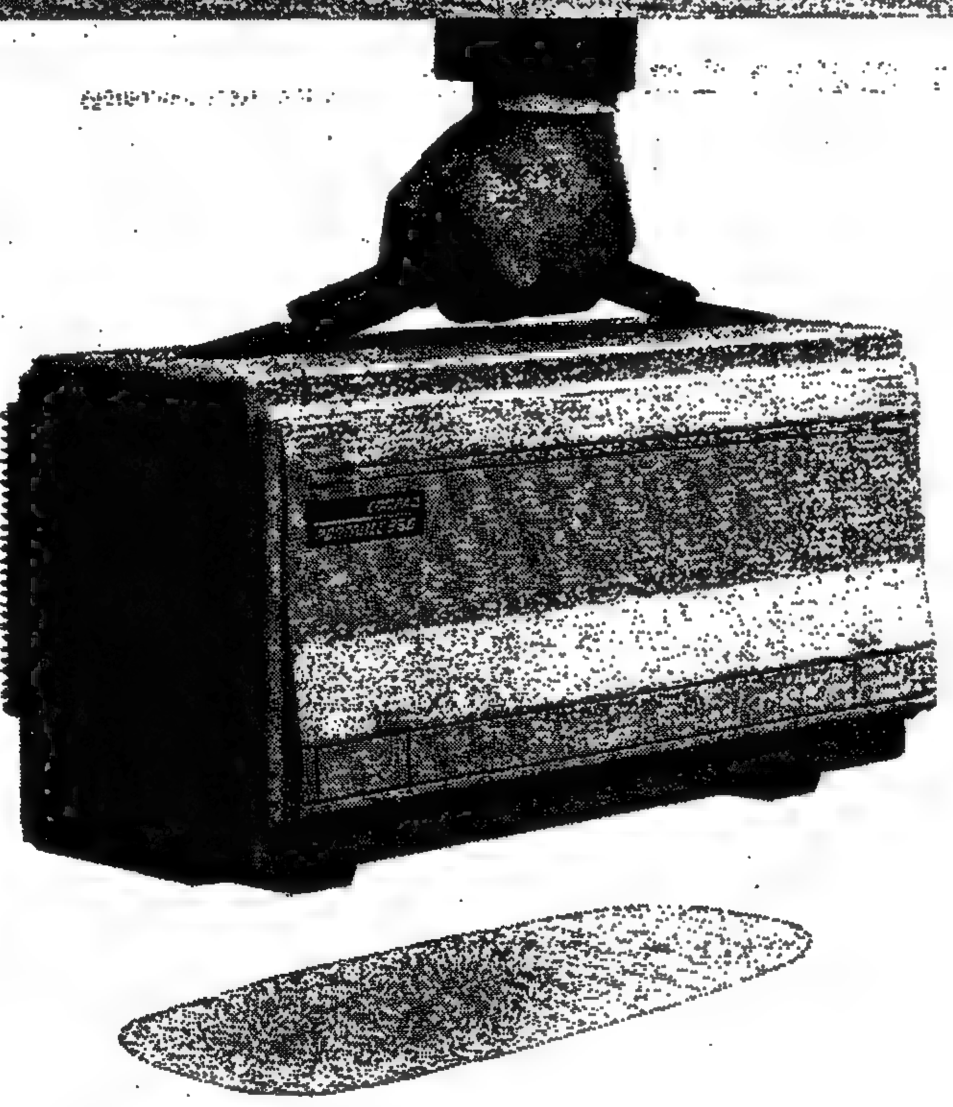
SPEEDY SPECS

Feast your eyes on these specs. (Sorry, we're about to nose dive into some jargon.)

The Portable 386 has a 20-MHz microprocessor, making it a full 25% faster than 16-MHz computers. (That's very, very, very fast.)

We're also talking 32-Bit architecture here. In other words this baby shunts information about 32 chunks at a time, making even the lightning responses of current 16-Bit machines look decidedly slowwwwwww.

THE NEW COMPAQ PORTABLE 386. LESS WAIT WITH LESS WEIGHT.



Up to 100-MB Fixed Disk Drive. This is heavyweight storage capacity. More than 50,000 pages of information built in, with an average access time of 25 milliseconds, (no time at all.) This saves you having to lug around the equivalent of eighty-three 1.2MB diskettes. (For those with more modest storage needs there is also a 40MB model.)

There's more. We've equipped our new portable with 1MB of RAM and the capacity for 10MB that will help you run rings round the most complex of tasks.

FREE WINDOWS

Buy one Portable 386 and we'll throw in Microsoft's Windows/386 Presentation Manager absolutely free. So you can do real multi-tasking with current applications software immediately.

MORE WAITLESS FUNCTIONS

Compaq Expanded Memory Manager. What does it do? Basically it opens up phenomenal amounts of memory for you, (beyond the MS-DOS limitation of 640 kilobytes), up to 8MB. It means you can cope with huge quantities of information without having to buy extra hardware. (You can throw wild parties with the money you save!)

Optional 20-MHz Coprocessor. This little gadget does mind-bogglingly complicated mathematical calculations in a jiffy. (Up to 25% faster than other 20-MHz 80386 based p.c's to be precise.) Especially useful for adding up all the profits you've made using Compaqs.

BLACK LEATHER

Yes, as with previous Compaq portables, the new 386 comes with its very own black leather, or nylon carrying case. (Well what did you think we were going to say?)

STANDARDS OTHERS DON'T STICK TO

Unlike certain manufacturers we could mention, we don't see why the thousands of pounds you've already invested in hard and software should be lost for the sake of change. We've made the Compaq Portable 386 compatible with all your industry standard products designed for 80286 based systems. It simply runs them at breakneck speed.

EVEN MORE ASTONISHING

The most amazing thing about the new Portable 386 is that...Whoops! It's the old problem, we're out of space. Fortunately all you have to do is make a bee line for your nearest Compaq Authorised Dealer and he'll take over from here.

COMPAQ®
PORTABLE 386™

WE'LL NEVER CEASE TO AMAZE YOU

BA 'likely to look abroad for mergers'

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS is likely to look overseas for airlines with which to merge whether or not its proposed merger with British Caledonian is approved by the Monopolies Commission, according to Sir Colin Marshall, chief executive.

The commission's report on the BCal merger is to go to Lord Young, Trade and Industry Secretary, next month. BA is hoping it will recommend the merger, but accepts that such a decision would probably include safeguards against anti-competitive behaviour by the merged airlines.

Other independent airlines, some of them fiercely hostile to the merger, fear its impact on their operations, especially at Gatwick airport.

The concern already expressed by some independent airlines that BA is not likely to stop at taking over BCal appears to have been strengthened by comments from Sir Colin in an interview with Airline Business magazine.

"We intend to be a major player, not just in the European scene, but in the world scene for the future", says Sir Colin. "And that almost certainly will require us to look for mergers or combinations in the future."

So far, he says: "We haven't looked that carefully at other airlines, but I think that clearly we're going to have to do that before too long, irrespective of the outcome of the BCal situation."

● The proposed £110m refurbishing and expansion scheme planned for Glasgow's Abbotsinch airport by BAA, formerly the British Airports Authority, has been approved by Renfrew Council.

Management 'should be given professional status'

BY DAVID BRINDLE

A "CRUSADE" to give industrial management professional status was launched last night by Mr John Banham, director general of the Confederation of British Industry.

Mr Banham set out a proposed national approach to the recruitment and training of managers. He said the confederation had won general support from member-companies for "a major initiative towards what might be termed the professionalisation of management."

He said: "The CBI knows of no subject more vital to the long-run competitiveness of British business than improving the quality of British management."

He was giving the opening address at the Institute of Personnel Management's national conference in Harrogate. He called on employers represented there to put their names to a forthcoming management-development charter.

This charter is being drafted by the Foundation for Management Education, which is supported jointly by the confederation and the British Institute of Management.

It follows a consultative forum held in the wake of reports exposing the UK's relative backwardness in management development.

Mr Banham gave details of the foundation's approach. He said it would have to overcome three widely-held though not necessarily true perceptions about industrial management careers.

"In short, industry appears restrictive, in the sense that career options narrow rather than widen; it does not pay particularly well; and it does not hold the prospect of much fun. Other than that it has a great deal going for it."

He said the key elements of the national approach were likely to include: an administrative body including academia, business and government; larger companies taking the lead; more university and polytechnic places for management studies; a post-entry preliminary examination; a masters' programme; on-job training and systematic career planning; and post-entry modular management education programmes.

Mr Banham, expressing the hope that next year would be the year of the manager, called for promotion of the management charter at prestige events and through videos and cinema commercials.

He said: "For relatively small sums of money - £2m to £3m a year, perhaps - concentrated in the right places, it should be possible to turn the present entrenched and out-of-date attitudes around."

Industrial education warning

BY MICHAEL SKAPINKER

IT WAS up to industry to set the agenda for the future development of management education, Mr Robert Jackson, Education Minister, said yesterday.

He told the 20th anniversary conference of the Business Graduates Association, that the Government could only listen and follow industry's lead.

He paid tribute to the authors of two reports, published earlier this year, which called for changes in the way that managers were educated. The reports proposed the establishment of a national preliminary qualification which younger managers should be encouraged to take.

Mr Jackson said the Government would do what it could to make work any new system of management education. However, he said: "It is important for the Government not to take over what must be an industry matter."

The privatisation of the country's business schools remained the Government's long-term aim but privatisation could not take place in the immediate future because some business schools required a particularly high level of endowment.

Replying to a business school lecturer who complained that his students earned £10,000 more than the staff, Mr Jackson said there was no reason why the schools should not move away from the national remuneration scales and pay their staff more.

He called on employers in manufacturing industry to offer young graduates the sort of pay which would dissuade them from going to work for financial institutions instead. He accepted, however, that pay rates in the City had been distorted by Big Bang.

Sir Peter Parker, chairman of the Rockware Group and former chairman of British Rail, said a supply of good teachers would be the most important development in the future development of management education.

He described the Government's responsibility in this area as "undodgeable" and called on the Government "to put its money where I know its heart is."

Bridgend shopping complex to cost £30m

By Anthony Moreton, Welsh Correspondent

THE LAND Authority for Wales has joined forces with Fairfield Properties to develop a £30m shopping and leisure complex at Bridgend.

The scheme is unusual in that it will be based on a road funded by the developer linking the M4 with the centre

The core of the project will be a superstore, associated shops and a garden centre. A leading stores group has expressed interest.

There will also be a 100-bedroom hotel with conference facilities and championship-standard golf course, a public house and two fast-food restaurants.

It is expected that the complex could provide about 1,000 jobs.

If the local authority agrees work would start next autumn and be completed by 1990.

Mr Bernard Ryan, chief executive of the Land Authority, said yesterday the project would be one of the largest and most imaginative undertaken in Bridgend for years.

"It will enhance the growing reputation of Bridgend as a business and leisure centre," he said.

Distributors 'set for 25% income growth'

SPECIALIST distribution companies should achieve high quality earnings growth of up to 25 per cent a year over the next few years, because of changes taking place in the market, according to Mr Clive Anderson, transport analyst at stockbroker Kitcat & Aitken.

He expects the share of the distribution market held by third party operators to rise to 60 per cent by 1994, compared with 20 per cent in 1984.

BT 'makes efforts to improve public pay telephone service'

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

BRITISH TELECOM has made considerable efforts to improve its public call box service over the last few weeks, although almost 30 per cent of the pay phones in some of the worst hit locations are consistently out of order, says an independent survey.

The Telecommunications Industry Research Centre carried out the survey on call boxes in the last week in September and the first two weeks of this month.

It follows extensive criticism of the quality of service provided by pay phones in recent months and suggestions that Mercury, the group's fledgling competitor, might be allowed into the market.

According to the study, standards of pay phone maintenance went up significantly in the 870 call boxes monitored over the three-week period.

An average of 23 pay phones out of 176 tested at five London railway stations were out of order in the first week. This dropped to 19 in the second week and 12 in the third. At Victoria station, defective telephones dropped from six out of 19 surveyed in the first week to one in the third and at Heathrow Airport they fell from 14 to 10 out of 68 over the same period.

The poorest standards were found at the Watford Gap service station on the M1 which had an average of five pay phones a day out of order, a total of more than 40 per cent. Rural areas scored the best, with only 19 a day found to be defective out of 370 surveyed.

The report seems to lend weight to BT's claim that some of the problems which led to criticisms of the call box service in the summer were a temporary outcome of the engineers' strike earlier in the year.

At the same time, BT promised a crash programme to raise maintenance standards a few weeks ago after the publication of a hard-hitting report on the service by Oftel, the telecommunications industry watchdog.

The latest study also underlines the financial difficulties found in running many rural call boxes.

Several telephone areas, particularly Yorkshire, Dorset, Devon, Cornwall, Wales and Scotland, reported an income of less than £2 a week from some village pay phones.

Under its licence BT does not have to provide a service if the income from a pay phone drops below £185 a year. "BT is maintaining thousands of telephones for purely social reasons," the report says.

Building power stations in south 'vital'

BY MAURICE SAMUELSON

IT WAS vital to build more power stations in southern England to prevent the national grid from becoming unstable, Lord Marshall, Central Electricity Generating Board chairman, said yesterday.

With electricity demand rising, particularly in the south, it was increasingly difficult to maintain the balance of the grid system when faults occurred, he told the Institute of Mining Engineers in Mansfield, Nottinghamshire.

Before the general election, Mr Peter Walker, then Energy Secretary, appeared to have given the CEGB carte blanche to build two coal-fired power stations.

Recently, however, the Treasury is understood to have challenged the need for additional generating capacity in southern England and to have asked whether rising demand might not be provided by trebling the amount of electricity imported from France to 6,000Mw.

The CEGB denies that it is studying such a scheme, which, it adds, would not meet the needs of southern England.

In his speech, Lord Marshall condemned suggestions that in a privatised electricity industry the National Grid should be taken out of the CEGB's hands. He said the electricity system was not just a trading grid but an operating grid.

"The CEGB is very proud to have demonstrated to virtually every country in the world how to optimise an electricity system, to provide the best possible electricity supply at the least possible cost."

Mr John Baker, CEGB's corporate managing director, has given a warning in Power News, the CEGB staff newspaper, that privatisation would not succeed unless the power stations and the grid remained integrated.

Hedging on risky markets

Clive Wolman on problems faced by Royal Life's unit trust launch and the solutions adopted

LAST MONTH'S unit trust launch by the Royal Life insurance group not only attracted a record sum for such a launch of £240m, but its size also required the adoption of some novel hedging and financial engineering techniques.

They highlight how rapidly the sophistication of the City has grown in the past three years and the opportunities created by Big Bang.

The launch, which relied on a privatisation-style advertising campaign, posed several problems for the Royal Life fund managers. They had to invest a large amount of money - they were expecting £300m - in a portfolio of shares, mainly in the UK, US and Japanese stock markets.

The money would be flowing in from investors over a period of time from September 8 to September 30 and trading in the units was scheduled to start on October 6.

The traditional pre-Big Bang response of a unit trust investment manager would be to invest the money gradually in the chosen shares over the four-week period, if not longer, to avoid pushing up the share prices against him.

However, the Royal Life managers were worried that, if world stock markets rose sharply during this period, its new unit trust investors would feel aggrieved if they had not benefited straight away after Royal Life had received their money.

On the other hand, if the money were invested on a daily basis as soon as it was received, the transaction costs could be substantial. If the markets fell during the offer period, the unit trust investors would see an immediate loss on their investment as soon as the first valuation of the fund was published on October 6.

The Royal Life managers, led by Mr Mike Kershaw and Mr Steve Atkins, appreciated that what they needed was a form of portfolio insurance, or a call option on all the shares that they were planning to buy. For the cost of a premium, this would allow the funds to profit from an upward trend in the markets while protecting their capital against a stock market fall.

The simplest way of achieving this aim would have been to have bought call options on the stock market indices in the UK, US and Japan. Contracts on the UK market were introduced in 1984 and on the Japanese market last year by the Singapore International Monetary Exchange (Simex).

There were three drawbacks to such a strategy.

First, unit trusts are not allowed to buy stock index futures and options contracts.

Second, the investment managers had identified specific portfolios of stocks in the three markets whose performance would not necessarily match that of the markets as a whole.

Third, there is a limited degree of liquidity in the UK and Simex contracts, possibly not sufficient to absorb buying on the scale envisaged, and the prices at which the Simex contract is traded is often out of line with its fair value.

There were two further constraints. Royal Life did not know how much money would be attracted by each of its three international funds - the Cautionary, the Growth and the Speculative - and any solution would have to satisfy the trustees that they were treating all unit holders fairly.

According to Mr Kershaw: "We needed a bit of hand-holding to be assured we were doing the right thing, so we went to an agent."

Royal Life asked two UK and one US securities firms to make proposals to them. The firm that was chosen was James Capel, the leading UK agency stockbroker. "We thought that Capel came up with the most imaginative solution on the most attractive terms," said Mr Atkins.

Mr David Heron, of Capel, guaranteed to buy the specified share portfolios, comprising 220 different shares, and pass them to the fund on October 6. Royal could specify the total value of the portfolio to be purchased, once it knew how much money it had attracted, but only in the £180m to £220m range.

As it turned out Royal attracted £240m and asked Capel to deliver £200m of shares, £90m from the US, £60m from Japan and £50m from the UK.

The price that the funds would have to pay for the shares was fixed at the mid-market price at the end of the day on September 8. Capel agreed to protect the funds against any fall in the markets in sterling terms from that date to the start of October.

If the markets rose, Capel would keep for itself the first 3 per cent of the rise in the US market and the first 2 per cent of the rise in the UK market. Any excess would be attributed to the funds. As it turned out, the US market rose by 3.7 per cent and the UK by 3.8 per cent.

The terms Capel offered for insuring the Japanese portfolio were rejected by Royal as being too expensive. This was a consequence of the difficulties of hedging the Japanese market through Simex. The agreement was made on September 9 by an exchange of letters. "It was an old-fashioned City deal with no lawyers," said Mr Kershaw.

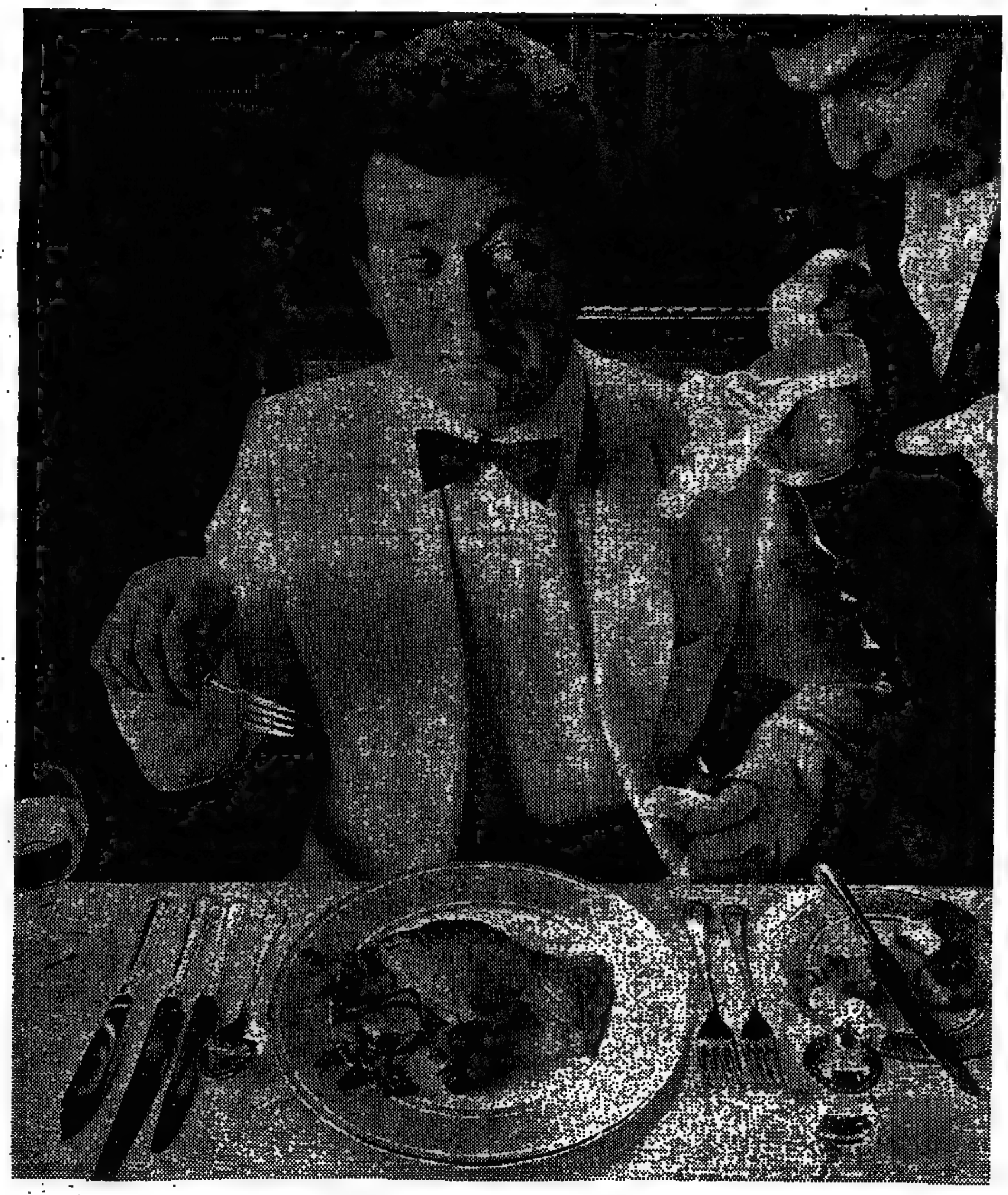
AT SHERATON LITTLE THINGS MEAN A LOT • AT SHERATON LITTLE THINGS MEAN A LOT • AT SHERATON LITTLE THINGS MEAN A LOT

THE MEAL WAS FINE. THEN THE SAUCE ARRIVED.

Nothing wrong with the sauce, you understand.

In fact, as part of a banquet to celebrate a conference of chefs at the Gothenburg Sheraton, more than the usual care and attention had gone into its preparation.

The problem was that the guest (like most guests in our experience) preferred the sauce served onto his plate. Rather than onto his lapel. (A subtle sauce can look very unsubtle adorning a white dinner jacket.)



Fortunately, the maître d' was a man who looks at such accidents and sees only opportunities.

Helping the guest remove his jacket, he offered his own as immediate, temporary replacement. At the same time whisking the sauce-stained garment off to be dry-cleaned.

And before the coffee was finished, the jacket, freshly cleaned and pressed, was returned to our guest.

At Sheraton, we have a phrase coined to sum up our idea of service. 'Little things mean a lot.'

Like all slogans it runs the risk of being dismissed as mere words.

But not with examples like that of the Gothenburg maître d' to sustain it.

For reservations or information on any of 500 hotels worldwide, contact your nearest Sheraton Hotel, Reservations Office, or your travel agent.

Sheraton
The hospitality people of
ITT

© 1987 THE SHERATON CORPORATION • BRUSSELS • COPENHAGEN • EDINBURGH • ESSEN • FRANKFURT • GOTHENBURG • INNSBRUCK • ISTANBUL • JERUSALEM • LISBON • LONDON (BELGRAVIA, HEATHROW, PARK TOWER, SKYLINE) • LUXEMBOURG • MADEIRA • MUNICH • OSLO • PADUA • PORTO • ROME • SALZBURG • SOFIA • STOCKHOLM • TEL AVIV • ZURICH

AT SHERATON LITTLE THINGS MEAN A LOT • AT SHERATON LITTLE THINGS MEAN A LOT • AT SHERATON LITTLE THINGS MEAN A LOT

Ferry companies to seek talks on joint operations

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE OFFICE of Fair Trading will be asked shortly to allow Channel ferry operators to hold detailed talks on joint operations, Sir Jeffrey Sterling, chairman of Peninsular and Oriental Steam Navigation, said yesterday.

Sir Jeffrey said rationalisation of services was essential if ferry companies were to offer effective competition to the proposed Channel tunnel, due to open in 1993.

P & O is likely to offer the OFT a freeze on fares in return for permission to restructure services in co-operation with Sealink UK and other companies, Sir Jeffrey said.

The company's case will be that its existing services cannot earn enough to finance reinvestment in new ships to compete with the tunnel or to meet the costs of redundancy payments.

The "ideal" solution would be combined marketing and operation of all Channel ferries, possibly under joint management, with a ship leaving Dover every 30 minutes, Sir Jeffrey said.

P & O has already held outline talks - with OFT permission - with Sealink, Dover Harbour Board, and Belgian, French and Dutch ferry operators.

Initial discussions have also taken place with union representatives on the need for "substantial" redundancies within P & O European Ferries, formerly known as Townsend Thoresen.

Sir Jeffrey and senior P & O executives travelled to Dover on Friday to seek preliminary agreement with local union leaders on extensive cuts in manning, including cuts in the number of relief crews per ship.

He said P & O would offer retraining facilities to any of European Ferries 6,000 employees made redundant, as well as negotiated severance payments.

Sir Jeffrey's public commitment to joint restructuring marks a new phase in the ferry companies' fight against the tunnel, which has previously been led by Mr James Sherwood, chairman of Sealink UK.

The campaign has been largely dormant since March, when the loss of the Townsend Thoresen ferry Herald of Free Enterprise undermined the ferry companies' claims that the tunnel would be unsafe.

P & O believes it is now likely to go ahead, unless there is a continued crisis in the financial markets.

Sir Jeffrey said the time for opposing the tunnel was past, but the Government would "have a fight on its hands" if it failed to take steps to prevent predatory pricing by the tunnel operators.

P & O would use its weight to insist on parity with the fixed-link operators in matters such as speeded-up customs and immigration services and improved road communications to Dover, he said.

CWS must cut funerals stake

BY CLAY HARRIS

THE Co-operative Wholesale Society yesterday attacked the Government's alleged double standards over competition policy after learning that it would be forced to sell nearly half of the Scottish funerals business it bought from House of Fraser in May.

The Monopolies and Mergers Commission concluded unanimously that the £13.5m acquisition, which would have raised the CWS market share in Scotland from 33 per cent to 44 per cent, should be blocked.

Mr Francis Maude, Corporate and Consumer Affairs Undersecretary, accepted the commission's recommendation, however, that a full disposal would be "an unnecessarily drastic remedy" if partial divestment could be arranged.

The CWS, which is owned by local co-operative retail societies, will be required within 12 months to sell Fraser's funeral businesses in Perth, Aberdeen and Falkirk, representing two-fifths of the total. In Aberdeen and Falkirk the CWS would have had a 100 per cent market share after the acquisition.

The CWS complained said yesterday that the exhaustive scrutiny of its funeral business and the requirement to divest "contrasted strangely with the total lack of government interest when the massive House of Fraser Group was bought by its present owner," the Al-Fayeds.

The CWS also criticised the requirement that the businesses should not be sold to the four local retail societies which together claim an additional 6 per cent of the Scottish market.

The commission let stand the CWS's acquisition of a coffin manufacturer which will take its share of the Scottish market to 73 per cent, although Mr Maude has asked the Office of Fair Trading to seek the CWS's assurance that it would continue to supply coffins to individual undertakers on normal commercial terms.

He also accepted the commission's view that any additional Scottish acquisition by CWS should face close scrutiny. The CWS is the UK's largest single undertaking business, although its national market share is only 7 per cent.

Mr Graham Melmoth, CWS secretary, declined to indicate whether only the designated undertakers would be sold or if Fraser's entire Scottish business would be put back on the market.

The likely contenders to buy some or all of the businesses are the UK's three publicly-quoted funeral groups, Hodgson Holdings, Kenyon Securities and Great Southern Group. None is represented in Scotland, although Hodgson is poised to announce a small acquisition for cash there. *Report on the acquisition by Co-operative Wholesale Society of the Scottish funerals business of House of Fraser. HMSO. £5.50.*

Match groups' merger cleared

BY CLAY HARRIS

THE COMBINATION of Swedish Match and Bryant & May, the world's two largest manufacturers of matches, was cleared by the Monopolies and Mergers Commission yesterday even though their joint operations will account for 82 per cent of British match sales.

Bryant & May is part of Wilkinson Sword, the consumer products company, which Swedish Match, the Stockholm-based conglomerate, bought in March from Allegheny International of the US for £99.2m.

Although the merger would lead to a substantial degree of concentration in an already highly concentrated but declining market, the commission said it was unlikely that prices would be raised unreasonably or that the number of brands available or standards of service to customers would decline.

Swedish Match has also promised to shift some production into Bryant & May's Liverpool factory after it closes one of its two Swedish plants next year.

Mr Richard Armitage, Bryant & May managing director, said that if sales forecasts were met, this would increase production in Liverpool by 25 per cent over what had previously been planned for 1988.

In a letter last month to the General Municipal Boilermakers and Allied Trades Union, he said manning levels at the Liverpool factory, which employs 300, would be discussed and agreed on site.

Bryant & May makes 54 per cent of the matches sold in Britain. Its brands include Swan Vesta, Brymay, England's Glory and Cooks. Swedish Match's 28 per cent market share, with brands such as Ship, makes it the dominant importer.

The combined group will also account for 48 per cent of disposable lighter sales in the UK, a market where the commission judged there was sufficient international competition to prevent unreasonable price rises.

Swedish Match said it had no plans at present to sell the other Wilkinson operations.

Swedish Match AB and enterprises belonging to Allegheny International; a report on the merger situation. HMSO. £8.

Ulster law discussed at Anglo-Irish conference

By Our Belfast Correspondent

NORTHERN Ireland's legal system and the Republic of Ireland's planned Extradition Bill were discussed yesterday at a meeting of the Anglo-Irish inter-governmental conference in Belfast.

Mr Tom King, Northern Ireland Secretary, and Mr Brian Lenihan, Irish Foreign Affairs Minister, made it clear that both governments remained fully committed to the Anglo-Irish agreement.

The Irish Government is due to ratify its Extradition Bill on December 1 but there is widespread speculation that its implementation may be postponed due to lack of progress in reforming the so-called Diplock courts in Northern Ireland in which judges sit alone to hear terrorist cases.

The key issues were discussed during several hours of talks between Mr Lenihan and Mr King but it is understood that no final decisions were reached and further consultations are to take place.

Many politicians in the republic regard changes in the province's legal system as being of paramount importance and expect positive reforms before new extradition arrangements are introduced.

They argue that three-judge courts would increase the nationalist community's confidence in the administration of justice in the province. However, Mr King has indicated that the UK Government is not convinced of the need to change the Diplock courts and maintains that substantial improvements have already been made.

He said recently that it was 'very important' that the republic's planned extradition bill was implemented.

There was tight security for yesterday's meeting. A small group of loyalists led by Mr Peter Robinson, the Democratic Unionist MP, held a short demonstration before the meeting in protest at what they saw as Dublin's interference in Northern Ireland.

Hill Samuel loses 12 staff to BZW

By Richard Waters

TWELVE MEMBERS of the corporate finance department of Hill Samuel, the merchant bank, are leaving to join Barclays de Zoete Wedd, the securities house.

This marks the culmination of earlier attempts by Hill Samuel's entire corporate finance department to join BZW, leading to the sacking of the department's head, Mr Trevor Swete, and his deputy, Mr Christopher Roshier.

Three of the 14 directors, three assistant directors and six managers from Hill Samuel's corporate finance department have now been recruited by BZW, which said yesterday that it had no plans for further recruitment from Hill Samuel.

Ralph Atkins examines the BBC's general strategy for the 1990s

Tuning in to broadcasting challenge

THE BBC'S first five-year plan should be viewed as a response to new challenges and not as a negative cost-cutting exercise. Mr Michael Checkland, director-general, told the corporation's 29,000 employees yesterday.

The plan is designed as a general strategy for the 1990s. Details have still to be worked out but the BBC board of management believes it has set out a framework which reduces dependence on licence revenue and takes account of recent major changes in broadcasting.

The main areas covered by the plan are:

Revenues. Licence revenues are now linked directly with the retail price index which, the BBC calculates, increases at a rate about 2 percentage points lower than broadcasting costs. By 1993 this would severly choke funds.

Instead the corporation hopes to increase revenue from other sources.

BBC Enterprises, which sells television programmes abroad, the Radio Times, books and videos, is forecast to increase its turnover from about £130m to £200m by 1991 and to double its current £19.5m a year investment in BBC programmes.

Other sources of revenue include property disposals and the sale of archive material, particularly to cable or satellite television comapanies.

There could also be further night-time "downloading services" paid for by viewers, such as the planned programme for doctors which the BBC announced last week and which is expected to raise £1m a year.

Costs. The BBC plans to cut staff costs by 1 per cent a year, saving up to £20m per annum. Mr Checkland said yesterday it was not possible to calculate at this stage how many jobs would be lost. Most could be cut through natural wastage but he could not rule out compulsory redundancies.

Local radio stations will be expected to reduce operating costs by 10 per cent.

Network radio. The Government proposals for radio, set out in a Green Paper in February would require the BBC to surrender two of its medium wave frequencies. This would lead to radical changes for all four stations with Radio's 1 and 3 becoming available only on VHF.

Radio 4 on VHF would continue as a national information and speech network but the BBC is to investigate the feasibility of using the station's long wave frequency as a national events channel covering, for example, Parliament, state occasions and news conferences.

Michael Checkland: plan not a negative cost-cutting exercise

Radio 1 and Radio 2 would have wider editorial briefs that included drama, documentary and specialist music programmes. The Radio 2 medium wave frequency could be dedicated to sport and education programmes supplemented by the World Service.

Network television. At least £24m a year will be set aside to commision 500 hours of programmes made by independent producers. This policy will be subject to review but eventually 25 per cent of air time, excluding news related programmes, could be made independently.

External services. The plan repeats the BBC's committment to launching a world televison news service modelled on the World Service radio news.

The scheme was first announced last year when the BBC said it was looking for an £8m contribution from the Foreign Office which funds the World Service.

The plans have been modifieds ince then, reducing the input from Government and introducing commercial partners into the scheme. However the BBC is still waiting for a Foreign Office decision before it goes ahead.

Local radio. The BBC plans to complete its chain of local radio stations by opening seven more in the next three years. However, the effectiveness of metropolitan stations will be reviewed in a report to be published in December.

News and current affairs. Radio and television units are to be combined in a new development at the BBC centre in White City, west London. In-house specialist reporting staff at home and abroad is to be strengthened.

Growth rate 'will slow down'

By Ralph Atkins

THE GROWTH rate of Britain's economy will slow next year while inflation accelerates, according to a survey of independent forecasts made before the recent slides in the stock markets.

Figures published yesterday by the Treasury show the growth rate falling from 3.3 per cent this year to 2.4 per cent in 1988.

The results are based on an average of predictions made by 11 groups of economists in stockbroking firms, universities, the Confederation of British Industry and the Organisation for Economic Co-operation and Development.

Retail prices are expected to grow by 4.0 per cent this year and by 4.6 per cent next. Unemployment is expected to continue its fall with a level of 2.77m forecast for the fourth quarter of next year.

The survey also shows a widening gap between Britain's imports and exports. The current-account deficit is forecast to rise from £1.1bn this year to £2.9bn next.

In the medium term, the UK's growth rate is expected to continue to fall.

By 1991 it is expected to be growing at 2.1 per cent.

The growth rate for consumers' expenditure is also expected to fall from 3.8 per cent in 1987 to 2.7 per cent by 1991.

Unemployment is predicted to remain static after next year, dropping only slightly to 2.73m by 1991.

Investment expenditure is expected to increase by 3.8 per cent and then by 5.1 per cent in 1988.

Ford heading for all-round record

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD WAS heading for record vehicle sales and production in the UK this year, Mr Derek Barron, chairman, said yesterday.

The company was investing in Britain at a greater rate than forecast, Ford of Britain would this year show a considerable improvement on last year's £109m pre-tax profit and successful sales had created 930 jobs at UK assembly plants so far this year.

He was speaking in preliminaries to the London Motorfair which opened at Earls Court yesterday.

Ford yesterday completed arrangements to buy 50.69 per cent of the AC car company for £1.3m. With Autokraft, the minority partner in AC, Ford would almost certainly set up a production plant for AC sports cars.

An announcement about the site is expected next month. If the project proceeds it will create about 150 jobs.

Mr Barron recalled that a year ago he said Ford would spend £1.46bn in Britain on new plant and equipment, product development and technology in the next six years. However, the pace of investment had quickened and the figure had risen to £1.66bn, or £300m a year.

Ford was giving priority in Britain to investment in research and development in high technology products. Spending on research and development was above £100m a year. "Not only is this vital for Ford but it is also vital for Britain," Mr Barron said.

Ford's engineering centre at Dunton, Essex, would not only be responsible for designing and developing replacements for both the Fiesta and Escort cars but would also lead in developing a new range of medium-sized cars for the mid-1990s. These would be made and sold by Ford and its associates across the world.

Ford expects to sell 565,000 new cars in the UK this year, compared with the record of 518,000 set in 1983.

Mr Barron said about 70 per cent of the cars would be supplied from UK factories. This was below the 75 per cent hoped for at the start of the year but the company had consistently underestimated the strength of the new car market this year.

Austin Rover's car fleet sales up 28% on last year

BY OUR MOTOR INDUSTRY CORRESPONDENT

AUSTIN ROVER'S determined drive into car fleet markets, which account for nearly half of all new car sales in the UK, is paying off, Mr Les Wharton, chairman of the state-owned group, said yesterday.

By the end of September, the group's fleet sales were 28 per cent more than in the same period of 1986 at 76,000 cars, well ahead of the 67,150 for the whole of 1986.

The company's penetration of the fleet market rose from 15 per cent to 17 per cent, he said.

This followed an intensive programme which involved a countrywide series of test drives at main UK car racing circuits. At each event about 250 fleet car buyers and others who could influence purchasing policies were involved.

As evidence of its improved position, Austin Rover, during the run-up to the London Motorfair, announced two more big deals with car rental companies.

The group is to supply about 7,000 cars to Avis in 1988, a 200 per cent increase on that company's order for this year.

Avis will take a mixture of cars from the full range which together have a showroom value of £50m, although the actual price will be much lower.

Austin Rover is also to supply about 2,500 cars to Swan National in the next two years. These have a showroom value of £28m.

Mr Wharton said the deals meant Austin Rover was set for another record year of sales to leading rental companies.

Top moves at Harris Queensway

By Lisa Wood

HARRIS QUEENSWAY, the troubled electrical and furnishings retailer, yesterday announced the appointment of a finance director and the resignation of two more board members.

The moves continue the management shake-out at the company. In July Sir Philip Harris, chairman, asked Mr Peter Carr, joint chief executive, to resign.

The following month Sir Philip announced that group profits this year would fall by as much as a quarter compared with 1986-87.

Group interim results for the first half of this year will be announced today.

The new finance director is Mr Anthony Shanagher, formerly vice president and chief executive of Allegheny International, and before that finance director of Wilkinson Sword. He replaces Mr James Cook, the first of this year's departures.

The two latest resignations are Mr Peter Davis, deputy chairman, who has been acting group finance director since Mr Cook's departure, and Mr Tony Behar, chief executive of the electrical division.

The company yesterday sought to play down the resignations. Sir Philip and Mr Martin Watts, the new group managing director who joined in June, were unavailable for comment.

Mr Davis joined Harris Queensway in 1980 from Price Waterhouse, the group's auditor, and was a long-term associate of Sir Philip.

Mr John Richards, of Wood Mackenzie, the stockbroker, said: "Mr Davis was a senior person at Price Waterhouse and the assumption was that as a highly qualified and respected accountant his prime function would be to put vigorous control systems in place at Harris Queensway. However, one of the great failures of Harris Queensway has been the absence of that."

It is understood that there are no plans to appoint a new deputy chairman.

Interim profits are expected to be well below £10m compared with £20.45m for the same period last year, including £6.2m property profits.

Construction orders rise

CONSTRUCTION orders in the three months to August 31 were 44 per cent higher than in the corresponding period last year.

The figures were inflated by the inclusion in July of the main contract to build the Channel Tunnel. Excluding this contract, orders were still 18 per cent up.

Consultants chosen for Severn bridge

BY ANDREW TAYLOR

G. MAUNSELL of south-east London and W. S. Atkins of Epsom, Surrey, have been appointed consultant engineers for a proposed £183m bridge across the Severn.

The joint appointment of the two firms was announced yesterday by Mr Paul Channon, Transport Secretary. Four groups and consortia were asked to tender.

The crossing is planned to be built at English Stones, three miles downstream of the existing bridge which is being strengthened.

The old bridge has had to cope with far more traffic than expected when it opened in 1966 - it carries about 40,000 vehicles a day - and has suffered from structural faults over the past 10 years.

Part of the work of the consultants will be to consider ways of financing the bridge, including privately. They will also prepare detailed engineering and environmental studies

Building society receipts decline

BUILDING societies' net receipts in September fell to £192m, their lowest since last November, as second instalments fell due on TSB and Rolls-Royce shares.

Withdrawals from building society accounts last month rose by £400m to just over £7bn.

UK NEWS

Enterprise plan for students

BY CHARLES LEADBEATER

AN INITIATIVE aimed at ensuring that by 1993 about 1m undergraduate and postgraduate students receive some enterprise training as part of their courses is being launched by the Manpower Services Commission.

The initiative also hopes to build more systematic and closer links between higher education and employers.

The commission expects students to acquire managerial and entrepreneurial skills mainly through project work with employers.

Each higher education institution will be invited to submit five-year enterprise plans laying out how the curriculum will be broadened and teaching methods changed to provide more enterprise training.

The programme will cost about £10m a year with each institution receiving. about £200,000 a year.

The MSC's funding will be conditional on industry and commerce contributing funds worth about a quarter of the public investment, with the proportion rising from the third year of the plan. Employers will play a role in assessing students.

The plan mirrors the secondary schools training and vocational education initiative which is aimed at encouraging a gradual but permanent change in the curriculum to ensure that all pupils receive some vocationally oriented education.

The intiative, which will start in the next academic year, has the support of the Education Department and the University Grants Committee.

The commission expects the institutions will develop a variety of programmes but its policy paper outlines several areas of likely development.

It will be much more important to give students a "feel" for the way enterprises work than to provide them with teaching, the plan says.

The programme may also require institutions to take on more students who do not have traditional academic qualifications but experience and aptitude for business. This is likely to require an increase in those seeking higher qualifications.

● Sir Peter Thompson, chairman of the National Freight Consortium, has declined for personal reasons to become chairman of the commission. His appointment had been approved by the Prime Minister and Mr Norman Fowler, Employment Secretary.

Employers may take some MSC roles

BY CHARLES LEADBEATER

THE GOVERNMENT is likely to come under increasing pressure to effectively privatise some Manpower Services Commission functions by passing control of them to local employer networks.

The networks are employers' training bodies being set up in local education authority areas. Their national organisers expect 85 to be set up by the end of next month and 45 more by next autumn. This is below the target of 132 networks by last month but the organisers believe slower growth will provide a firmer foundation.

The networks are intended to give employers a more conherent, systematic influence over the training and education provided by local education authorities and private-sector bodies in their area. They will also advise employers on training facilities based on analysis of local skill shortages.

The national organisers have asked ministers to allow the networks eventually to control some services provided by the commission once they are firmly established.

Mr David Stanley, project director, said a growing number of companies including ICI, GEC, Unilever, Ford, RTZ and Pilkington was backing the project. Clearing banks had also expressed interest.

APPOINTMENTS

Hongkong and Shanghai Bank London chief

Mr Keith Whitson is to become chief executive officer UK of HONGKONG and SHANGHAI BANKING CORPORATION in November. **Mr Michael Wells**, who is currently general manager in charge of the bank's UK operations will be returning to Hong Kong. Mr Whitson, 44, joined the bank in 1961 after attending Alleyn's School in Dulwich. Since then his career has inclnded tours of duty in Malaysia, Germany and Indonesia as well as a number of positions in the group's head office and domestic operations in Hong Kong.

He has been assistant general manager finance in the area management office of the bank's domestic operation in Hong Kong from 1985 to 1987. This job has inclnded overall responsibility for the bank's treasury operations in Hong Kong, asset and liability management, internal accounting and economic research. This post has also involved a close relationship with the Hong Kong Government

*

Mr Jonathan Tuns has been appointed managing director of PICKFORDS RELOCATION SERVICE, the new wholly-owned subsidiary of Pickfords. He was sales director at Homequity.

*

Mr Don Crossman, Mr Brian Day and **Mr John Spurr** have been made directors of FULTON PREBON STERLING, sterling broking company of the ICH Group. They were associate directors.

*

Mr Nicholas Assheton has been appointed a director of COUTTS & CO.

*

Mr Peter Shuttleworth becomes a director of POWELL DUFFRYN from January 1, while continuing as group secretary. **Mr Michael Wilkinson** retires from the board on December 31.

*

Mr Raymond P. Celucci has been appointed executive vice president of RACAL-MILGO, Fort Lauderdale, Florida. He will remain president of the manufacturing division. The company is part of the Racal Electronics group.

*

FTC HOLDINGS has appointed **Mr Peter Shirley** as a non-executive director.

*

BARRATT SOUTHERN has appointed **Mr Terry Jenkins** as managing director of Barratt Central London. He was construction and technical director.

The Treasury has appointed **Sir Michael Franklin** as its nominee on the board of the AGRICULTURAL MORTGAGE CORPORATION for a period expiring on September 30 1990. He was permanent secretary at the Ministry of Agriculture, Fisheries and Food.

*

PRESCOT UNDERWRITING & MANAGEMENT SERVICES has appointed **Mr John Reeder** as director-in-charge of engineering underwriting.

*

Mr J.L. Kavanagh has been appointed chairman, **Mr M.J. Cowie** managing director, and **Mr S.C. Pritchard** executive director of BAIN CLARKSON aviation division.

*

BANCA DELLA SVIZZERA ITALIANA has appointed **Mr Rainer Pleuti** as head of its London operation. His deputy will be **Mr Roland Staehli** who is currently in charge of the London representative office. **Mr Michael Barr** becomes manager of the treasury department. He was with Credit du Nord where he was a deputy general manager. **Mr Michael Nye** becomes chief dealer in the treasury department. He was with Credit du Nord's Singapore office. The trade finance department will be managed by **Mr Carlo Verones**. **Mr Stephen Cossins** is in charge of administration. The full service London branch opens on November 2.

*

Mr Bruce Scott has been appointed group managing director of BUCKLEY & BLAND, Stockport, with responsibility for Donald Kendall & Sons, and Lee & Nightingale Kendall, Liverpool. He was with the Jefferson Smurfit Group.

*

Mr Anthony L. Paxton, a director of dealing technology consultants COMPUTER INTERFACE SYSTEMS, has been seconded to Canadian Imperial Bank of Commerce for a year to assist with a new dealing facility being built in New York.

*

Mr Bill Espien has been appointed to the new post of manging director of EGERTON TRUST, remaining finance director for the time being.

*

Mr Dennis Wilby, an executive director of BRENT CHEMICALS INTERNATIONAL, has been appointed chairman of the new surface treatment division. **Mr Brian Garner**, also an executive director, has been made responsible for the UK and Far East operating companies in the new division.

INTERNATIONAL APPOINTMENTS

Puma replaces chairman with ski company head

PUMA, the loss-making West German sports goods manufacturer, announced yesterday that it had appointed Mr Hans Woitschaetzke as the company's new management board chairman, reports Reuter.

Mr Woitschaetzke, the co-founder and manager of the West German cross-country ski manufacturer Trak GmbH, would take over from Mr Armin Dassler, the current chairman and leading Puma shareholder, by December 1, a company statement said.

Mr Dassler told the annual meeting on Monday that Puma posted a 1987 first-half group loss of about DM 14m (£4.7m), of which the largest portion was in the US. No comparative figure for 1986 first-half group loss was available.

Puma posted a group consolidated loss of DM 41.05m in 1986. Its 1986 US net loss was DM 74.9m.

The statement said Mr Dassler stepped down for personal reasons, and that he would join Puma's supervisory board.

Puma, which went public last year with an offering of 280,000 preference shares, has said that because of its US losses it would not pay a dividend for 1986.

However, Mr Dassler, who together with his brother Gerd hold all of Puma's 720,000 ordinary shares, said he would make a personal payment of DM 4.50 a share to shareholders.

WSE chooses duo to lead film library marketing campaign

WEINTRAUB Screen Entertainment has appointed Mr Jim N. Landis as senior vice-president of worldwide distribution and Mr Richard Milnes as UK managing director to market its film library worldwide.

WSE, the Los Angeles-based subsidiary of Weintraub Entertainment Group, has also retained as consultants three leading figures from the UK film and television industries: Mr Michael Bromhead, senior executive with Thorn-EMI; Mr Leslie Halliwell, critic, author (Halliwell's Film-Goer's Companion) and former chief programme buyer for ITV; and Mr Gunnar Rugheimer, former general manager of programme acquisitions for the BBC.

Mr Landis, previously vice-president of Reeves Entertainment Group, will be based in Los Angeles and supervise the international distribution of WSE's film library in all media, as well as handling the licensing and acquisition of new television and theatrical products.

Mr Landis will have responsibility for formulating a business plan for Weintraub Entertainment Group's desired entry into the lucrative US first-run television syndication business.

Mr Milnes, formerly managing director of J. & M. Film Sales, will be based at WSE's international operations headquarters in London, supervising marketing of the film library.

The library consists of more than 2,000 theatrical feature films, television series and the Pathe news archives.

Asea Brown Boveri names its top team

ASEA BROWN Boveri, the new group to be formed with effect from January 1988, and owned jointly by Asea AB, Sweden, and BBC Brown Boveri, Switzerland, has named its full management team.

Mr Percy Barnevik will become president and chief executive officer and Dr Thomas P. Gasser as deputy chief executive officer of the group which will be the world's largest electrical equipment manufacturer.

The other members of the team will be Mr Arne Bennborn, Mr Erwin Bielinski, Mr Sune Carlsson, Dr Eberhard von Koerber, Mr Goran Lindahl, Dr Bertold Romacker, Mr Bert-Olof Svanholm, Dr Werner Thommen, Dr Lars H. Thunell and Dr Leonardo E. Vannotti.

Mr Barnevik, 46, was appointed president and chief executive officer of Asea in 1980. Dr Gasser is chief executive officer of BBC Brown Boveri.

Lockheed Corporation executives announced

LOCKHEED CORPORATION, the US aeronautical group, has announced three executive appointments.

Mr Barton Krawetz, 48, has been appointed executive vice-president and general manager for research, technology and engineering of Lockheed Aeronautical Systems in Burbank, California.

Mr John R. Kreick, 43, will become president of Lockheed Sanders in New Hampshire, and Mr David B. Bowman will take the post of vice-president secretary and assistant general counsel of the corporation.

* * *

CRH, Ireland's largest construction materials group, has appointed Mr Tony Barry as chief executive designate. He will take over as chief executive in January 1988 on the retirement of Mr Jim Culliton.

Mr Barry, 52, is a native of Cork and joined the group in 1964.

MR RICHARD Keatinge, British chief executive of the Bank of Ireland, has been co-opted to its court of directors.

Mr Keatinge was previously head of group strategic development and prior to that an executive director of Investment Bank of Ireland.

* * *

MR MATTHEW J. Stover has joined American Express Company as vice-president, corporate communications.

Mr Stover will be responsible for media relations and the preparation of the annual and quarterly reports.

* * *

MR CLARENCE Sampson has been appointed to a five-year term as a member of the Financial Accounting Standards Board, the private-sector rule-making body for financial reporting by businesses.

Mr Sampson is to retire as chief accountant of the Securities and Exchange Commission

PolyGram promotes Australian chief

MR BRUCE Mackenzie has been appointed senior vice-president, regional operations, of PolyGram International, the music and recording company.

The PolyGram organisations in Australia, Canada, The Netherlands and New Zealand will report directly to Mr Mackenzie, as will regional directors Kuno von Einem and John Lear


Bruce Mackenzie: to head regional operations

and deputy regional director Alexander Naoum.

The regional directors are responsible for PolyGram's national organisations in 16 countries and PolyGram licensees worldwide.

Mr Mackenzie has been in the music business since 1972. He joined the PolyGram Group in 1980 and was appointed managing director of PolyGram Records Australia in March 1983.

Austrian bank appointment

By Judy Dempsey in Vienna

MR WILLIAM H. M. de Gelsey has been appointed as a member of the International Advisory Board of Creditanstalt-Bankverein, Austria's largest bank.

Mr de Gelsey, at present deputy chairman of Orion Royal Bank based in Tokyo, will focus on capital markets in his work for Creditanstalt.

He will continue to operate from Japan.

His appointment coincides with Creditanstalt's decision to open a representative office in Tokyo this month.

Ridley defends storm assistance as 'generous'

BY TOM LYNCH

THE GOVERNMENT is being generous in its assistance to those councils in southern England facing heavy bills for clearing up after last week's storm, Mr Nicholas Ridley, the Environment Secretary, told the Commons yesterday.

His claim was greeted with scepticism by Labour MPs, and some Tories shared their concern that excess money spent on repairing storm damage might result in a loss of rate support grant next year.

Mr Ridley said in a statement that he had written to local authorities confirming that the Government planned to employ a formula negotiated with councils in 1983. Under this they will be expected to spend the equivalent of a penny rate from their own resources, with shire districts able to raise 0.15 of a penny rate above that, but will be eligible for 75 per cent grant assistance for spending above that threshold.

He told MPs no council's spending above the threshold would attract grant penalties, and said limited extra capital allocations would be available in the current year. Mr Ridley also announced extra grant aid for tree replanting by councils.

Replying to questions from MPs, he said he had made his commitments without a figure in mind - he did not know what the final cost to the Government would be. He said he had been generous in not uprating in line with inflation since 1983 the amount councils had to find.

Dr John Cunningham, the shadow Environment Secretary, questioned why the product of the penny rate was excluded from Mr Ridley's pledge of exemption from rate support grant penalty.

He argued that, under current financial conditions, it would be hard for councils to find the product of a penny rate. He called on Mr Ridley to set up a working party with local authorities to explore the long-term implications of the storm.

Nicholas Ridley: tree planting aid announced

Mr Mark Wolfson (C, Sevenoaks) asked Mr Ridley to give "due concern" to "prudent authorities who are dealing with a problem well beyond any reasonable and sensible expectation." Mr Terence Higgins (C, Worthing) asked whether withdrawal of grant penalty would mean an extra 40p from councils for every £1 spent within the penny rate threshold.

Mr Ridley argued that councils should have budgeted for contingencies, and if the expenditure within the penny rate threshold was contained within a prudent budget it would not attract penalty.

Open season on our secrecy laws

MPs' proposals face an uncertain fate, writes Michael Cassell

AFTER a summer of controversy surrounding the Government's attempts to ban publication of Spycatcher, Peter Wright's account of his activities as an MI5 agent, the House of Commons returns to face three private members' bills dealing with secrecy and freedom of information.

The bills, which emerged from the ballot among MPs wishing to promote legislation, are due for a rough ride and an uncertain fate. The most significant proposal, to be introduced by Mr Richard Shepherd, the Tory MP for Aldridge Brownhills, promises to provide the focus for the most serious public debate on the secrecy issue since 1979.

Mr Shepherd's Protection of Official Information Bill, which topped the ballot and has the best chance of reaching the statute book, falls short of being a full Freedom of Information Bill and there are fears that it could be hijacked by the Government to toughen up, rather than liberalise, secrecy laws.

The other bills are being promoted by Mr Archy Kirkwood, the Liberal MP for Roxburgh and Berwickshire, who wants patients to have access to doctors' reports sent to insurance companies and employers, and by Mr Chris Smith, Labour MP for Islington South and Finsbury. Mr Smith's bill requires the creation of public registers of enforcement notices served when public safety and environmental pollution laws are breached.

Mr Shepherd's bill sets out to repeal the "catch-all" approach of Section 2 of the Official Secrets Act and to replace it with new measures to protect information in six key areas - in relation to defence, international relations, security or intelligence information whose disclosure could seriously injure the national interest, information which could assist in committing a crime and certain categories of information provided in confidence to the state by private citizens.

The proposed legislation would apply the test of "serious injury" not just to alleged offences involving information about defence or international relations, as in the ill-fated 1979 Protection of Official Information Bill, but also to information concerning security and intelligence.

The measure would also allow an accused person to mount a defence on the basis that he or she had acted in the public interest in disclosing certain types of information or that the information had previously become public.

Mr Shepherd, who is to delay his bill's introduction to the Commons in order to mobilise backbench support, claims that it forms a "vital precondition to greater access to official information".

But Mr Des Wilson, co-chairman of the Campaign for Freedom of Information, which has helped to draft the bill, said it has two particular reservations about the proposals. "It is still a secrecy bill, whose main objective is to protect information. We regret Mr Shepherd has missed the opportunity for a trade-off in which tighter controls on the protection of some information is balanced by creating free access to information where there is a case for the public right to know."

Mr Wilson also said there were fears that the "well-intentioned" bill could be subjected to so many government amendments that it could end up imposing a more draconian piece of legislation than that which already existed.

Mr Jonathan Aitken, the Tory MP for Thanet South and chairman of the parliamentary advisory committee to the freedom of information campaign, said the bill represented "a sensible attempt at replacing Section 2 in a constructive way".

He said it should be allowed to go through the committee and report stages before the Commons decided on its value. Any attempt by the Government to kill it off at its second reading would be tantamount to "parliamentary infanticide".

Research assistant ban to be debated

MPs are poised to debate the banning from Westminster of an Irishman who is a research assistant to Mr Jeremy Corbyn, the Labour MP for Islington North.

After furious protests from Labour MPs, the Speaker, Mr Bernard Weatherill, in the Commons last night, defended his bar against Mr Ronan Bennett who in 1975 was convicted of murdering an RUC inspector. His conviction was quashed on appeal after he had served 13 months in jail.

The Speaker ordered the suspension of Mr Bennett's pass into the Palace of Westminster during the recess.

Last night's heated exchanges — during which the Speaker recalled the 1979 murder of Mr Airey Neave, then shadow Ulster Secretary, and its deep affect on him — ended with Mr Weatherill saying: "I think the matter should be debated. I hope the matter will be debated."

Mr John Wakeham, Leader of the House, is expected to make time for this — perhaps under a wider ranging debate on Commons security.

Mr Weatherill said: "My undoubted responsibility is to protect members of this House. That was the whole basis on which I took this decision."

Mr Corbyn had protested at the Speaker's withdrawal of the security pass issued to Mr Bennett.

He accused the Security Services of advising the Speaker to withdraw the pass and he told the Commons: "There are no convictions outstanding against Ronan Bennett. He is an innocent man."

Labour's front bench did not join in the exchanges but Mr Tony Benn (Chesterfield) accused the Speaker of having "tried and convicted" Mr Bennett.

'Prospectus' for merged party

BY PETER RIDDELL, POLITICAL EDITOR

A JOINT "policy prospectus" will be produced by the leaders of the Liberal and Social Democratic parties when their merged party is launched next spring.

Mr David Steel, the Liberal leader, said at Westminster yesterday that he and Mr Robert Maclennan, the SDP leader, would draft such a prospectus and its publication would be "associated" with that of the new party.

He said the statement would not deal with detailed policies, but would set out the party's policy stance in "clear and unambiguous terms." The drafting would not be part of the negotiations, but the two leaders would, he said, want to make sure their colleagues were happy with it.

This meets the concern of SDP leaders that the merged party's views should be clear before the launch if the maximum number of current members are to join.

Following three meetings of the two parties' negotiators, it has become clear that the constitution of the new party will resemble a modified version of the SDP's current one - though less centralised and more federal. This has been the aim of a number of Mr Steel's allies.

In particular, it is proposed that the new party will have a national membership list, the election of its leader will be on a one-member, one-vote basis, and there will be a representative sovereign assembly.

There is still some argument about the details of policy-making. But it is already agreed that there should be a policy committee separate from the national executive committee and that it should contain several MPs. It is also not yet resolved how far the policy committee should act as a counterweight to the assembly by, for instance, requiring reconsideration of assembly decisions with which it disagrees.

The negotiators have reached a compromise on the assembly, which will be larger than the SDP's Council for Social Democracy - perhaps two to three times its current 450 members. But it will be representative, principally of constituencies, rather than partially self-selecting from local activists as the Liberal Assembly now is.

This new assembly will meet twice a year, once for a weekend in the spring and then for the usual autumn conference. This would remove the need for the quarterly party council which the Liberals have had and which has at times been a thorn in the leadership's side.

Orders for warships to slow down

By David Buchan

THE GOVERNMENT has formally revised its 1982 commitment to order three frigates a year in order to maintain a fleet of 50 surface warships.

In its reply published yesterday to the recent Commons defence committee report on the military lessons of the Falklands conflict, the Defence Ministry says: "It is not now necessary" to meet the 50-ship commitment by ordering three frigates a year because of decisions in the past five years to extend the lives of ships and modify their upkeep cycles.

Recently, the Ministry of Defence announced its intention to place contracts for four Type-23 frigates. But on the pattern of 1985-1987 ordering, the rate of ordering seems to be around four every two years rather than three a year.

Implementing the lessons of the Falklands campaign. HMSO. £2.60.

Labour pledge on ownership of water and electricity sectors

BY IVOR OWEN

IF THE Government succeeds in privatising the electricity supply and water industries an incoming Labour Government would restore them to public ownership, Mr John Cunningham, the shadow Environment Secretary, told the Commons last night.

He brushed aside suggestions from the Government benches that the policy review instituted by the Labour Party following its third successive general electiondefeat had placed him in a quandary in responding to theGovernment's latest privatisation proposals.

Answering a direct challenge from Mr NicholasRidley, the Environment Secretary, to say whether he was indicating that a Labour Government would return these furtheradditions to the list of privatised industries to ownership bythe public sector, he said: "Yes".

Mr Cunningham recalled that Mrs Margaret Thatcher, the Prime Minister, had described the water authorities as "natural monopolies" and scoffed at her claim at the Conservative conference in Blackpool that in spreadinghome and share ownsbership the Government had achieved an"irreversible shift" of power.

He insisted: "Nothing is irreversible in a democracy. A Labour Government would not hesitate to eliminate private monopolies and ensure that vital, fundamental serviceswere controlled and managed in the best national interests".

Mr Cunningham explained that this would involve achieving a balance between the interests of consumers, employees, ministers and parliament.

He likened the Public Utility Transfers and Water Charges Bill - the paving measure for the privatisation of the electricity supply and water industries - to the "notorious" legislation which preceded the abolition of the Greater London Council and the English metropolitan authorities.

Parliament, Mr Cunningham protested, was being asked to pass the bill conferring important new central powerson ministers before the Government's real intentions and detailed proposals were known.

Mr Cunningham accused the Government of deliberately seeking to create widespread private monopoly powers in two critical areas affecting the lives of every man, woman and child in the country.

There was also a risk, he contended, of thetwo industries coming under major foreign influence.

Mr Cunningham said the British people would bethe victims of private monopolies "with even less competitionthan the disgracefully mismanaged British Telecom".

Mr Ridley described the bill as the first steptowards implementing the Conservative election pledge to privatise the electricity supply and water industries.

While confirming that the principal legislationis not likely to be introduced until November of next year,he stressed that the passage of the bill would give both industries a firm basis on which to prepare themselves fullyfor the future the Government proposed for them.

Mr Cecil Parkinson, the Energy Secretary, intervened to underline the opportunities for competition in electricity generation.

Labour call for Maude dismissal

BY Michael Cassell, Political Correspondent

THE Prime Minister is being called on by two Labour MPs to dismiss Mr Francis Maude, the Minister for Corporate and Consumer Affairs, following his refusal to investigate allegations of fraud made by minority shareholders in Film Finances.

Mr Brian Sedgemore (Hackney and Shoreditch) and Mr Dennis Skinner (Bolsover) have tabled a Commons motion of no confidence in Mr Maude and put down a written question to Mrs Thatcher calling for the minister's removal from office. The action follows the ruling earlier this year by Mr Justice Knox that there was prime facie evidence of crime under the Companies Act.

Earlier this year, under the protection of parliamentary privilege, Mr Sedgemore alleged that Sir Jasper Hollom, former chairman of the Takeover Panel, had attempted to cover up breaches of the act which had taken place in a company in which he was involved. The no confidence motion claims that Mr Maude is protecting from embarrassment both Sir Jasper and the Governor of the Bank of England.

At the time of the shareholders' allegations, in 1982, one of the companies with a stake in Film Finances was Wren Trust, a wholly-owned subsidiary of Gresham Trust, which Sir Jasper chaired. Mr Sedgemore claimed that Sir Jasper had blocked the shareholders' action.

Mr Maude wrote to Mr Sedgemore last week saying he did not propose to take any further action in the case. He said further investigations would be needed, any trial would be unlikely to take place before the end of 1988 and that to bring a prosecution after such a time gap would be contrary to the Code for Crown Prosecutors. He added that only Mr Sedgemore and Mr Robin Cook, Labour's former spokesman on the City, had raised the issue

Move on Gulf shipping urged

BY IVOR OWEN

CONSERVATIVE backbenchers joined with opposition MPs in the Commons last night in urging the Government to seek to secure concerted action by the United States and the Soviet Union to end the attacks on shipping in the Gulf.

Sir Geoffrey Howe, the Foreign Secretary, again stressed the practical difficulties in establishing an integrated United Nations naval force in the area but acknowledged the importance of keeping the two superpowers in step with the other members of the Security Council in maintaining the efforts to achieve a ceasefire in the Iran-Iraq war.

When Mr Dennis Walters (C, Westbury) warned of the danger of the Soviet Union taking a "pro-Iranian position," Sir Geoffrey promised that the possibility of sucha development would be borne in mind.

He contended that such considerations underlined the importance of securing effective backing for UN resolution 598 calling for a ceasefire, and recalled that while Iraq had agreed to comply with its terms if Iran did thesame, Iran had neither accepted nor rejected the resolution.

Mr Denis Healey, Labour's former shadow Foreign Secretary, stressed that the great majority of attacks on international shipping in the Gulf had been started by Iraq and not by Iran.

He argued that the establishment of joint United Nations forces at the time of the Korean War and the operation to clear the Suez Canal after the Anglo-French intervention in Egypt in 1956 had demonstrated the practicality of constituting such a body to protect shipping in the Gulf.

Mr Healey, who also complained that the United States had adopted a position "clearly partial" to Iraq rather than impartial, was reminded by Sir Geoffrey that Iraq had refrained from attacks on international shipping forseveral weeks at a time.

The Foreign Secretary refused to accept that there was any precedent for establishing a combined UN naval force, but assured Mr Healey that the proposal had not been "lightly dismissed".

Tebbit bullish on the economy

BY PETER RIDDELL, POLITICAL EDITOR

BRITAIN'S economic outlook has never been so good, despite the stock market upheavals, Mr Norman Tebbit, the Conservative Party chairman, claimed yesterday.

Addressing a seminar in the City organised by Confederation Life, the insurance group, Mr Tebbit noted that "the financial markets have had a bit of a fit of the shakes, but I find it hard to recollect a time when the outlook for Britain has been so good - indeed, so good in relation to those of other countries.

"Of course we have just seen a stock market storm - but in my view that storm no more changes the economic climate than the recent 100mph winds which swept through London have changed our weather climate," he said.

"In both cases a good deal of damage has been done and a good many people may be reviewing their affairs to make sure they are less likely to suffer damage in any similar circumstances in future - and that may be a good thing," he added.

Both yesterday, and in a similar speech to a Sun Life investment seminar on Tuesday, Mr Tebbit stressed the extension of home, share and personal pension ownership as part of a "social revolution".

He said the revolution was unlike many others since it was "a force for social stability as more and more people are becoming beneficiaries, becoming individual owners of property.

"Many previous revolutions," he said, "have simply transferred property often in a manner which has destroyed its value or ability to create wealth. Not this one. It is based on wealth creation and is encouraging the creation of wealth."

Mr Tebbit said he had no doubt that "as more and more benefit, the social revolution will become too deeply rooted to be changed."

He concluded on a confident note that, "we will see continuing growth and innovation - a sharpened competitive edge in our economy soundly based, popular and likely to last."

Radical left sets alternative agenda

Michael Cassell previews an avowedly socialist conference

DISCIPLES of the radical left will this weekend gather in Chesterfield to reaffirm their faith in a socialist Britain, to challenge the dominant ideology of Thatcherism and to convince the Labour Party leadership that its policy review will ignore their opinions at its peril.

More than 1,500 delegates are expected to attend the Socialist Conference, being held in the parliamentary constituency of Mr Tony Benn, a driving force behind the event and still one of the left's most respected champions. Among delegates will be visitors from Europe, South Africa and Central America, as well as a peace mission from the Soviet Union.

Speakers will include Mr Arthur Scargill, the National Union of Mineworkers leader, Mr Ken Livingstone, a member of Labour's national executive, Mr Bernie Grant, the MP for Tottenham, Mr Dennis Skinner, the MP for Bolsover and Mr Eric Heffer, MP for Liverpool Walton.

The level of interest in the conference has surprised even the organisers, who are increasingly hopeful that Chesterfield will send out a clear message to a "revisionist" party leadership that Labour's salvation lies in a political programme incorporating more, not less, socialism.

The conference will discuss all aspects of domestic and international policy and delegates will be given briefing papers which are not intended to represent binding policy positions but will form the basis for discussions.

They nevertheless provide an indication of the likely flavour of the proceedings, with calls for withdrawal from Nato, more public ownership and democratic planning, restoring the influence of the trade unions and harnessing the potential for political reform within the working class.

Mr Benn himself yesterday helped set the tone by claiming that the conference was being held at a time when the world was beginning to suffer the effects of uncontrolled capitalism while watching nervously as events in the Gulf unfolded.

Socialists, he said, had long warned of the dangers posed by monetarism and militarism to jobs, living standards and the survival of working people. Only urgent political action could save millions of innocent people from getting badly hurt.

He denied that those behind the "alternative" conference saw it as the first step towards the creation of a separate party, even though they expect it to begin to formulate fresh, socialist policies and also want to establish a register of supporters before organising further, similar gatherings.

Chesterfield, he added, was expected to contribute towards the Labour Party review of policy which is just getting under way and he stressed that the event was not aimed at creating any form of new, electoral organisation. He added: "Labour said at Brighton that it was listening. At Chesterfield, we will be speaking."

Mr Benn said the conference was being held to float and debate ideas and expressed the hope that it would avoid a "shallow and personalised approach" to the discussion of policy issues. The event represented "an ecumenical socialist conference which would make a mosaic, rather than a monolith, of opinion, with all views being treated with respect".

He hoped that those going to Chesterfield would come away feeling optimistic that there was another, political way forward. Until it became a reality, the nation remained paralysed into accepting high unemployment, nuclear weapons and a starving Third World.

Distilling a more favourable climate

Tony Thompson on 'responsible' advertising in North America

OVER THE PAST three years, North American drinks manufacturers have been paying advertising agencies to tell consumers the disadvantages of their alcoholic products. The brewers, distillers, and wine producers say they are doing so out of a sense of public service. But it is also good business strategy, and, perhaps more important, politically astute.

Their actions would have amused Sam Bronfman, the Canadian responsible for building the Seagram Company into an international conglomerate. He would have wondered why it had taken them half a century to catch on. Seagram began using the tactic in the US in 1934 - a year after prohibition was ended by President Roosevelt.

Seagram was in a good position to take advantage of the vast market in the United States when it became "wet". For years Bronfman and his brothers had been major suppliers to the US bootleggers from their legal Canadian base; some estimates put the Bronfman family's share of the illicit trade with the US as high as 50 per cent. In a very short time, two of Seagram's whiskeys became top-selling brands.

But alcoholic freedom was politically fragile. The "dry" lobby was powerful and fighting to have prohibition returned to the Statute Books. To head this off Seagrams launched a massive campaign, taking full page advertisements in 150 major newspapers across the country, headlined: We Who Make Whiskey Say: 'Drink Moderately'.

Seagram's head office in the US received some 150,000 congratulatory letters from both those oposed to and those in favour of the anti-liquor laws that had been in effect since 1920. The slogan became one of the most successful of the era. It also had the effect of drowning the "dry" lobby's demands for the return of the National Prohibition Enforcement Act.

Seagram continued to pay for space to espouse moderation, mainly during public holidays.

During the mid-1970s it was decided to change the emphasis to address current social concerns and include wine and beer (in which, through various holdings, the Bronfman family has major interests).

The Seagram ads don't mince words. "Richard (the vice-president in the ad) isn't incompetent. The villain is his lunches, or rather the too many drinks he often has at lunch. Come afternoon, he's just not as sharp as he was in the morning. Richard is playing dice with his health (and)...sabotaging his career."

In an ad aimed at those who fly to the bottle when feeling depressed, the copy runs: "There isn't a beer, a wine or a spirit made that can cure loneliness, or, indeed, any unhappy situation."

All the current ads end with: "We believe in moderation and we've been saying so since 1934."

Seagram doesn't wait for an issue to hit the headlines. "We make a point of keeping in tune with current concerns," says Harold Pugash, vice-president of corporate relations for the Canadian operation. "We don't wait for it to become public."

The company also uses a different agency from that for its brand advertising. Others in the beverage alcohol industry have followed this lead, presumably because the brand account executives are unlikely to be in the business of shooting their sales in the foot.

For most of the time in the past 50 years, Seagram has been a voice in the wilderness. Other marketers of alcoholic drinks took the view that it wasn't their problem. All that has now changed.

As it watches legislators - and litigants - homing in on the tobacco companies, the alcohol industry is nervous. It could be the next to be picked off as pressure groups lobby politicians and canny lawyers woo those who have lost relatives through drink-related causes.

The threat is real. There have been rumblings in Washington about action to limit the way in which both alcohol and tobacco products may be promoted. In Canada, legislation which would effectively ban all promotion of tobacco brands (including sponsorship of the arts and sport) from January 1989 has already had its first reading.

On top of that, one province, Saskatchewan, has made it mandatory for marketers of alcoholic products to devote 15 per cent of their budget in any one medium to educational ads. The brewers have ignored this requirement.

But the media, hungry for beer advertising, have produced their own public service messages. According to a Saskatchewan Liquor Board official, this has resulted in there being a ratio of up to 40 per cent educational to regular beer advertising on television and radio as stations fill up their inventory in slack periods.

A proposal with more persuasive power has come from Ontario, Canada's most populous state - and biggest market for alcohol products. The Liberal Government of David Peterson has said it will require brewers and distillers to apportion 10 per cent of their budgets to public awareness advertising. Ontario would be more likely to take steps to enforce its proposal than less-populated Saskatchewan.

Against this background it is not surprising that last month the Brewers Association of Canada announced that it was spending more than C$5m on research and TV advertising to promote awareness of the problems associated with excessive drinking.

During holiday periods over the past five years, individual brewers have paid for TV spots which point to the dangers of drinking and driving. Now, they say, they believe that the time has come to broaden the message.

Asked why the industry has ignored the Saskatchewan rule that has been in effect for some years, Sidney Oland, chairman of the association and president of Labatt Brewing Company, which has a 38 per cent share of the Canadian market, said: "We don't like being told how to spend our money." But they are spending it now, the expenditure representing about 2-3 per cent of the brewers' total promotional budgets.

Compared with the Seagram press ads (liquor advertising is generally banned on Canadian broadcast media and by agreement among American distillers the medium is not used in the US), the brewers' messages are bland. Unlike the zesty commercials for brands depicting Amazon-like male Yuppies enjoying the good life surrounded by fawning busty damsels that in the past have been the hallmark of beer commercials, the spots about "responsible drinking" are monotonous and soporific.

According to Oland, the association's research showed that "body-in-the-bag advertisements are not responded to by the public. They just close out - it's too unpleasant." This suggests, in the Canadian brewers' view, that Seagram has got it all wrong for the past decade.

The US brewers' association disbanded two years ago through lack of support, but the three majors, Anheuser-Busch, Coors, and Miller, are spending significant amounts. Anheuser-Busch has a general television campaign with the message: "Know when to say when". Coors targets drinking and driving; and Miller spends its money on educational programmes to colleges and universities.

The Distilled Spirits Council of the United States (Discus) spends $500,000 a year on public relations. Discus's strategy is two-pronged: first to compare the alcohol content of spirits and beer (spirits have lost market share to beer and wine since about 1984); and to make the case for tax fairness, non-abuse of the product, and on health issues.

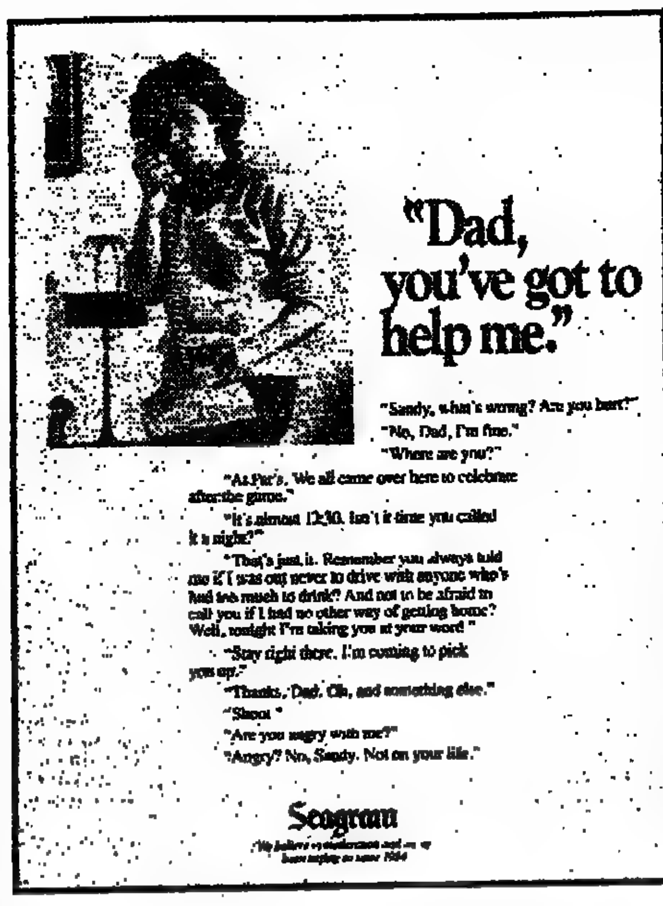
The council does not use a cent of its, by American standards, tiny budget for buying space. It simply supplies material to the media. "Many companies would spend that much [the total budget] in one month on paid advertising," says F.A. Meister, chief executive officer of Discus.

"These media placements mean," says Meister, "that real inroads are being made in reassuring the public and policymakers that drinking liquor is perfectly acceptable. Changing consumer attitudes is the key to increasing sales."

Seagram shareholders will certainly drink to that. Seagram'snet income from spirits and wines for the first six months of this year ending July 31 was $67.3m compared with $35.7m a year earlier. For the moment at least US politicians seem to be off the alcohol industry's back.

The beleaguered tobacco industry, however, still unwilling to admit to the overt health risks from using its products, has shown no disposition to spend money on such educational programmes, either individually or collectively. "They've probably left it too late," says Alan Rae, president of the Canadian Advertising Foundation; the tobacco industry faces a total ban on promotions.

Today it seems that Sam Bronfman's savvy in 1934 was sound. The right sort of anti-advertising puts a sparkle in sales. And, along the way, it keeps the protesters and politicians out of the industry's vats. It is a point that other potential targets for pressure groups might consider. As Sam Bronfman proved: stabbing yourself in the back can be healthy for sales.



Convenience foods

Frozen out of the kitchen

Feona McEwan explains Campbell's move into upmarket dishes

Campbell's lobster en croute, packaging by Michael Peters, is designed to stop cooks slaving over a hot stove

DID YOU KNOW that the cook in a British kitchen spends an average 40 minutes preparing a meal, while her/his American counterpart spends 20 minutes and the food-loving French up to two hours?

This, no doubt, speaks volumes to the social chronicler. But for food manufacturers, which work out such facts and act on them, the writing on the kitchen wall is clear.

As the time spent slaving over a hot stove decreases, so the demand for ready-made meals and partly prepared meals increases. Changes in family working habits have brought about changes in family eating habits. In short, now that the vast majority of women work outside the home, mealtimes are not what they used to be.

Indeed, another factual nugget the manufacturers have come up with is that the number of eating occasions per day for a household works out at 6.4. Of these only 1.68 are traditional meals; the remaining 4.76 are snacks.

Add to this the growing popularity of microwave ovens - used mainly for reheating and defrosting - and of freezers, and the picture of today's on-the-run eating habits becomes clearer. Market penetration of microwaves in the UK has risen sharply to nearly 30 per cent of homes, while that of freezers is now more than 70 per cent. Small wonder, then, if it is true, as manufacturers claim that the number of recipes the average British cook carries in her or his head is a paltry five.

For Campbell's, one of the world's largest food companies, the search for ways to meet the demands for ready-made and partly prepared meals, is taking the company out of cans and into freezers. Most famous in the UK for its condensed soups - though for far more in its native US - the company is now gearing up for a major expansion in Europe into frozen foods. The initiative is separate from the company's soup activities which will continue unabated.

The move into what Campbell's trumpets as "a new generation of frozen foods" will bring a range of upmarket convenience meals into the stores. There are three ranges in the initial launch, all labelled in French in an attempt, no doubt, to imply quality - Soupe du Jour, and two pastry-wrapped ranges, vegetables en croute, and seafood en croute.

These dishes signal a move towards more imaginative eating - a route that has been pioneered by the food multiples like Marks and Spencer and Sainsbury. The flaky pastry productscontain mushrooms or broccoli or asparagus in rich creamy sauce. The seafood en croute is positioned as pure indulgence food - "we're not expecting these to be best sellers," says the company - based on shrimp, lobster and crab.

The emphasis is on ingredients aimed at the health-conscious eater. There are no additives and the range is aimed unashamedly at the hedonist eaters who are willing to pay more for better tasting food. The soups, for example, will retail for 99p for two portions, a far cry from its mass market canned varieties which retail at around 30p.

The new frozen food range is in not an attempt to take on the mass market frozen food suppliers. Campbell's is engaging in niche marketing of sorts, filling a gap its research tells is there. The range is aimed at busy working people of any age.

The advertising campaign to be launched nationally in the new year sums up the kind of consumer it thinks it will appeal to. The three commercials feature a well-off couple of indeterminate age. The copy line devised by advertising agency Collett Dickenson Pearce is "Campbell's frozen foods - what people who eat out, eat in."

The ads make their point with nice touches of dry humour; they feature the same couple in various situations eating out and wondering why. One commercial shows them driving home in the car after a meal out, unimpressed.

He to her..."£30 for child's portions....how did you find the fish?" She to him, "I just rolled back the pea and there it was."

Campbell's decision to move into this new area is based on a number of factors. For a start, the frozen food market is very dynamic in the UK as well as in the US. The UK has the second highest consumption of frozen foods per head after the US in a market growing by about 4 per cent per annum and expected to be worth £2.4bn in the 1990s. Within this sector, specialist meals are growing fast and innovation is the key.

"It's where the excitement is," says John Jesky, deputy managing director Campbell's UK. "We have an enormous reservoir of knowledge of frozen foods in the company." In the US, Campbell's has frozen food interests in bakeries, fish dishes and vegetables.

Campbell's research indicated that consumers were looking for quality, interesting, innovative food and were willing to pay more for it. Food multiples like Marks and Spencer have paved the way. The joy of frozen food is that unlike canned food, ingredients such as cream, real slices of vegetable and so on can be included. The research findings also showed that consumers would take to Campbell's frozen foods only if the quality was up to scratch.

In devising the recipes for its new real food products, Campbell's has employed a classical chef who is not a food technologist and who concentrates on taste and texture.

To service this new venture, Campbell's has invested £12m in a new factory in Salford from which it aims to supply the UK and the rest of Europe.

For the moment, the company is testing the British palate but if the range is as successful as it hopes, it will trigger a whole pantry of upmarket convenience products, so confirming Jesky's view that the preparation of food is moving away from home and into the factory.

Judges without mystique

By A. H. Hermann, Legal Correspondent

THE WEATHERMEN can predict showers, rain, and sunny intervals fairly accurately; the Stock Exchange analysts can point out an over-valued company or two; a good lawyer will warn you of the twists and pitfalls in contracts and litigation. But no one seems able to predict a hurricane, a Black Monday - or to see that the present way of appointing untrained judges to positions of almost absolute power will one day give way to a storm of popular discontent.

"English judges are the recipients of unmerited abuse and unjustified compliments. They are treated as symbols of an all-powerful but incomprehensible force which is not susceptible to the standards of rational analysis applied to all other public institutions," writes David Pannick, Barrister and Fellow of All Souls, in the introduction to his book, Judges, published a fortnight ago. And he concludes: "We need judges who are not appointed by the unassisted efforts of the Lord Chancellor and solely from the ranks of middle-aged barristers. We need judges who are trained for the job, whose conduct can be freely criticised and is subject to investigation by a Judicial Performance Commission; judges who abandon wigs, gowns, and unnecessary linguistic legalisms; judges who welcome rather than shun publicity for their activities."

Reviewing the book on television last week, Lord Denning judiciously and impressively presented the author's criticism, arguments and proposals. A nationwide audience listened enthralled, assuming the great old man of English justice to be on their side, but he soon disenchanted them: David Pannick was wrong, wrong, wrong. Leave the judges as they are, he said. Lord Denning, the great reforming judge, who spent a lifetime on the bench fighting the Law Lords and other of his "faint-hearted" brethren over issues of law, remains loyal to the judiciary, warts and all.

Disappointingly, though not unexpectedly, Lord Denning thus joined the chorus of judicial protests against any reform which would replace the habits, convention and mystique of the judiciary with reason, transparency and critical evaluation of its performance.

Some years ago, before the review of civil justice was even started by Lord Hailsham, Lord Justice Parker dismissed it in his Denning lecture, saying that all that was necessary was more courtrooms and, of course, more judges.

No sooner had Lord Hailsham retired than Lord Lane, the Lord Chief Justice, warned his successor not to "emasculate the High Court and the Circuits" by making most cases start in the county courts with only the more difficult progressing to the High Court. There was no need to link the High Court and the county courts in one organisation. In Lord Lane's view all that was needed was to build more law courts in the Strand, to appoint more High Court judges, and to bring the organisation of the courts to the standard of the Commercial Court.

However, the much praised Commercial Court procedure looks advanced only in comparison with other parts of the High Court. It is still unbelievably slow. The present waiting times range from 12 to 18 months for a three day case, to three years and three months for a 6 week case. There are, in fact, cases where the judges sit for 6 weeks listening to interminable and often superfluous evidence and arguments.

However, Lord Justice Parker's and Lord Lane's were only warning shots. This became clear when Sir John Donaldson, the Master of the Rolls, presented his review of the legal year 1986 to 1987. He went immediately to the root of the disquieting reform proposals. It would be a serious misconception, he said, to suggest, as the Civil Justice Review seems to do, that the Lord Chancellor has some ministerial reponsibility for the operational work of the Civil Division of the Court of Appeal. In his opinion, the responsibility rested solely with the judges. "The ministerial responsibility of the Lord Chancellor is to provide suitable and sufficient administrative manpower and resouces," he said, explaining later in his speech that "the long term solution is more courtrooms."

Not that Sir John had not given much thought to better utilisation of the courtrooms that are already available. He introduced the "musical chairs" courtrooms which are made available to floating judges by others working in their chambers on different days of the week. This makes an extra courtroom available for the use of two-judge court hearing appeals which do not last for more than a day. Sir John has also done much to speed up the hearings and assures the public that his court will continue to adopt an interventionist policy designed to concentrate the minds of the parties and their lawyers on the need to make speedy progress with appeals.

However, there are limits to what can be achieved in this way, concluded Sir John: if the court is to provide a speedier service more judges will have to be appointed and more courtrooms made available, unless measures are taken to reduce the number of appeals coming before the court.

Sir John deserves every support in his efforts to persuade the Bar and the solicitors not to encourage parties to make hopeless appeals. If he does not succeed it may be necessary, as he suggests, to make all appeals dependent on the granting of leave. As the business of the courts escalates, more judges may also have to be appointed, but there remains an unexplored possibility to obviate the need for further building expansion on the Strand.

If judges sat in two shifts, there would be no need to build new courtrooms

The judges of the Supreme Court - the High Court and the Court of Appeal - sit normally from 10.30am to 1 pm and again from 2pm to 4pm in the afternoon. This of course is not their entire working day, they also spend many hours studying papers and writing judgments in their rooms. This means that courtrooms are used for only 4½ hours in every 24 hours. Any factory manager would be ashamed to use valuable plant for such a small fraction of the day. Two shift sittings seem to be the obvious solution. One judge or one bench of judges, could sit in the courtroom from 9am-1.30pm and another judge, or bench of judges could use the same courtroom from 1.30pm-6pm. Even with half an hour's break in the middle of these sittings each judge could sit for a full four hours, only half an hour less than at present, and this half an hour could be easily saved by concentrating the minds of the parties and of the lawyers on cutting out unnecessary waffle - in line with the intentions of the present Master of the Rolls.

Another question which does not apply so much to the Court of Appeal as to the Family Division of the High Court and to the Commercial Court, and even more so to criminal courts when hearing the evidence of children or dealing with juveniles, is whether it would not often be better, if instead of sitting on an elevated bench the judges took off their wigs and sat with the parties and witnesses round a table. Even if there were seats provided for the public, such arrangment would be possible in smaller and less elaborate courtrooms.

Having thus solved the problem of courtrooms, let us now turn to Sir John's constitutional objection to the Lord Chancellor's interference. He seems to interpret the constitutional independence of the judiciary as including not only its independence in deciding disputes according to law, but also in every operational way. Thus questions of procedure, of listing of cases, of speed with which matters are disposed of and of course also sittings, vacations and utilisation of courtrooms should be left to the judges - who mostly differ from Sir John in their complete lack of managerial talent.

A similar discussion took place in the United States before 1939, when the responsibility for the administration of federal courts was taken away from the Department of Justice and entrusted to a newly created Administrative Office of the US Courts. In deference to the constitutional doctrine of separation of powers, this office was constituted as a part of the judicial branch of government.

This system can hardly serve as a model for the UK. Its administrators work in parallel with chief clerks and are mainly concerned with budget and computerisation. A combination of a Ministry of Justice and a Judicial Commission able to select judges from a wide circle including barristers, solicitors and academics, providing for their training and refresher courses, would be much better. It could be the beginning of a career judiciary in which young judges could start in county courts with a law lord's wig in their briefcase.

David Pannick, Judges, Oxford University Press, £12.95

THE ARTS

Tate Gallery/David Piper

Quality manners & morals

Manners and Morals is at the Tate Gallery until January, its title glossed as *Hogarth and British Painting 1700-1760*. Queen Anne indeed dominates the first room; a superbly baroque standing figure, swathed in a glamourous swirl of dark blue velvet and ermine. *Plumply benign*, yet indubitably regal, she presides within her splendour, not one whit dead. At the close of the exhibition, the final room is again dominated by a lifescale standing figure, the aged George II, in wig, crimson velvet coat, *blue sash of the Garter*, and encrusted with gold braid.

Anne is by Edmund Lilley, 1703 (the year after her accession). George II is by R. E. Pine, 1759. Like Anne, he is shown very much alive (though, 76, only months before his death), but unlike her *totally* unflattered, peering almost tortoise-like from his wig. He seems just to have paused at the top *of* some grand stairs, and to await, glinting, a doubtless unsatisfactory apology for some shortcoming — excuses, excuses. It was not commissioned, but clandestine, "stolen" by its painter — but it conveys the effect of a literal, living likeness of an individual unparalleled in vividness by any other royal portrait of the century.

These are both most memorable images, and both by painters whose names will be unknown to most other than specialists; but one is the most satisfactorily regal portrait, and the other the most satisfactorily unregal one, of any British monarch between Charles I and George *IV*. Though the later one was unauthorised (but it is *not* a caricature), the two mark the beginning and the end of *the exhibition most happily*.

Comparable felicities by obscure names will be found all through this exhibition, alongside the pleasures of a recognition of fine examples by famous names, from Sir Godfrey Kneller, German commandant of British portraiture for 50 years till his death in 1723, up to the youthful rise of the native stars in the 1750s, Reynolds, Gainsborough, Romney. And in the middle, of course, Hogarth.

The theme is presented in very general terms in the catalogue by the organiser, Elizabeth Einberg, and the show mercifully, aided by sensitive hanging, allows quality to speak in its own terms without being stunned by hammer blows of expository dogma. It shows (among other things) the emergence of a school of painting that reflects the spread of a taste for the arts from a metropolitan, and court-based, culture to a wider section of society, even to the provinces. The practitioners to begin with *came from abroad, but by the* end of the period, the native talents, while still happy to take what they fancied from continental example, have established themselves. Hogarth himself, towering in this show, illustrates not only this (relative) democratisation of painting, but uses it to state often searing critiques of the limitations and hypocrisies of the society that bred it. Two of the great comic *histories*, The Rake's Progress and The Election have been imported entirely from the Soane Museum *for the occasion*.

It is Hogarth who expands the exhibition into the dimension of morals, though when *concerned primarily with* manners, his quality can be no less outstanding. For manners, the show includes in its variety a choice survey of the implanting from France and the Low Countries of one of the most attractive, and most particularly British, species—the conversation piece. The family becomes a proper subject for celebration—not only the royal, the aristocratic family, but that of the gentry, of the prospering bourgeoisie.

Conversation pieces tend to have something in common with *inventories*; the *family* is posed across the foreground much as in early studio photographs of groups, facing camera, stiff-*jointed, all* together but each isolated—conversation in fact is conspicuous by its absence. Themselves, in their best *clothes* naturally, *and their* children, some friends perhaps, dogs, cats, horses, park or handsome interior with rich furnish*ings, are paraded for display*.

This formula persisted right through from about 1730 to the 1760s, in the hands of such as Devis, Gawen Hamilton, and especially the little known Dandridge, had a lighter touch, but it was Hogarth who, in a few masterpieces, injected the *fizz* of life. At the Tate there is a rare opportunity to see his most delightful foray into the genre, The Performance of The Indian Emperor, or The Conquest of Mexico by the Spaniards — a marvellously animated *recording of children* acting a play before their parents and friends around the fireplace.

Hogarth's variety was formidable, though the examples of his "history paintings," mythological or religious, shown reveal that they, as contemporaries thought, are not his forte. But he could rival Van Dyck in a "straight" female portrait; capture childhood in all the felicity of its informal formality, in the famous Graham Children from the National Gallery; play a burlesque variation on a theme dear to French taste in the four Times of Day London set (which it is a great pleasure to see all brought together).

Some of the Tate's own great holding of Hogarth's work is included. Though in that there is an odd anomaly. Included is, for example, what has always been for me the most exhilarating of all Hogarths, the manic stomp and jive of the provincial dancers in the unfinished oil study for one of the never-completed Happy Marriage comic history set. This you can normally of course see in the Tate for free, as the Trustees so gallantly hold to the great liberal tradition that entry to the national collections, funded by the tax-payer, must be free. Economic necessity for loan exhibitions such as this (even with the generous sponsorship, *as this one has, from* Pearson) compels a charge — so if you wish to see the Country Dance at the moment, or any of the *other 14 paintings lent by the* Tate to itself, it will cost you £3. Blame not the Tate, but the Treasury.

At the core of the exhibition is a celebration of the Foundling Hospital, which survives in the form of the Thomas Coram Foundation for Children. The major contents of the Hospital's collection have been transferred for the occasion to the Tate. It was probably inspired by Hogarth and supported by many of his fellow artists (and also by Handel), and is sometimes claimed as the first prototype of a national collection of British art; it was visible by polite society on Sundays. It certainly inspired Hogarth to what is perhaps his most original masterpiece, the portrait of the Hospital's Founder, Captain Coram. Hogarth decided to sit his subject *amidst the full panoply of the* French baroque portrait, a column, drapes, and attributes. This ought to have been disastrous for Coram, a bluff, bourgeois seaman turned philanthropist, but the genius of Hogarth transposed that formula of pomp and circumstance (owing something to an engraving after Rigaud) with complete success into a celebration entirely becoming this straightforward down-to-earth (or not quite — one foot dangling from the grand chair, doesn't quite reach the ground) white haired old London gent. It is a milestone in the history of British portraiture.

Most people will find more than enough in this show of some 220 paintings to make one visit not enough. *If*, in the fine display of Canaletto's work in the The Image of London show at the Barbican, you have perhaps wondered why the supreme London views by him — the two at Goodwood — had not been included, now is your *chance, they are both at the* Tate. Highmore (the twelve paintings for Richardson's novel Pamela are all reunited here most happily) and Allan Ramsay stand out especially successfully, but there are other names less well known whose work may now well be hunted out avidly. Just one of them is the virtually unknown Joseph Nickolls, painter of a meticulous view of the Fountain court in the Temple, of most charming delicacy. The show may really be Hogarth's, but the old habit of writing off the rest of British painting in the period should lapse for good.

"The Graham Children" by William Hogarth, 1742

A Lie of the Mind/Royal Court

Michael Coveney

Sam Shepard's A Lie of the Mind at the Royal Court is a bulging, merciless domestic drama strung across three *hours and half a continent*. Californian Jake has badly beaten up his wife Beth who has returned home to Montana. *He thinks she's dead*.

Jake is a lycanthropic angry bowler under the moon, played by a compulsive American actor, Will Patton, whom I last saw slamming himself around a desert motel room in Shepard's *Fool For Love* off-Broadway. His obsessional quest for the battered Beth takes him on a circuitous route to his boyhood bedroom, jumbled memories of his father, renewed antipathy towards his mother.

Increasingly, Shepard's work examines the tensions between the pull of the landscape and the need to stay home. As Richard Gilman has said, "identity" and "roots" emerge as a recurring theme. But never in any predictable or classifiable manner. *Although there is a vibrantly* touching conclusion to this piece, there is no formal structure, nor does it conform to what you would *expect of a* play. We can leave that sort of function to *A Man For All Seasons*.

Simon Curtis's production places Jake in front of a mid-West vista of field, dog, car and house. The arty evocation of Andrew Wyeth is a mistake. Shepard can create his own outlines. This silk-screened blow-up designed by Paul Brown opens to reveal Beth (*Miranda* Richardson) jabbering her way back to sensibility, tutored and encouraged by her brother Mike (Paul Jesson).

Beth's aphasia is equivalent to Jake's chronic amnesia. Like so many characters in Shepard, they must shake themselves *alive*, have the past re-confirmed, the present electrified. Jake has objected to Beth's work as an actress. She wears *high* heels, becomes other people and is *therefore* unfaithful.

Most stage rows are refined *beyond these points of rough*, raw contact. The problems are taken back to family environment and Shepard here writes *comedy sharper than that in*-forming the more classical of his own tragic constructs as *Curse of the Starving Class* or *Buried Child*.

Beth's father, Baylor (Tony Haygarth), is a deer-nabbing *pioneer remnant* who is all gun and mouth, considerate but with a funny way of showing it. Her mother, Meg (Deborah Norton), *is a fussing quietist who meets* intemperate explosions with requests "to keep the language outside." "Can't we just talk in a normal tone?" *she asks*. To which the unanswerable reply is "When it gets normal, we'll talk normal." These are two *preciously funny* and *well-ob*served performances.

Geraldine McEwan as Jake's mother is hung a little uneasily *between eccentricity and stylis*tic indulgence, but this surprise casting shows an actress intriguingly bent on not being overcome by difficult material. The third act exchanges of dynastic nostalgia and farewell (beautifully prompted by Rudi Davies's *flame haired, almost incens*tuously entangled daughter) are virtually scuppered by remote upper level staging and over-elaborate inflections.

Paul McGann is the scouting brother who gets shot in the leg and ends up in the enclosing vice of his fully restored sister-in-law. That journey of recovery is spectacularly undertaken by Miss Richardson, progressing from gibbering psychic wreck, bruised and bandaged, to lubricious man-eater via the most interesting of her altered states, that of a shamanistic *idiot in a lumberjack's volumi*nous check shirt.

Perhaps we lose sight of Jake for too long, but Mr Pat*ton makes up for the absence* with a haunting final appearance as a medallioned veteran of mud and nightmare, dragging himself across the cheerless terrain in underpants and the American flag. In tracking down Beth he has answered his own most pressing question, "Where were we before?" Memory loss, wilful and inflicted in the respective cases of Jake and Beth, has been replaced with the agony of paying dues to the past.

Some of this confessional scab-picking is underpinned with the atmospheric whining of a folk trio on guitars and violin. The musicians amble around the stage like importunate *gypsies, teasing the play* out of the actors but not really disguising the problems caused by the split level design.

The stage picture also makes room, just about, for a disused and abandoned car, a familiar item in the Shepard stage iconography but also, perhaps, a reference to the disputed fate of the one missing parent.

Will Patton

Grace and Glitter/The Place

Clement Crisp

Dance Umbrella is sheltering *a singularly exasperating piece* in Extemporary Dance Theatre's latest offering, *Grace and Glitter*. The idea must initially have seemed a valuable one: a work by women, about women, benefiting from the corporate contributions of its cast.

The result, alas, is addled, verging upon caricature, when one might have expected pertinent observation and comment, and providing an ill-conceived muddle of posing, minimal dance and maximal platitudes.

There is a programme note by Emilyn Claid, Extemporary's director, and co-author of the piece with Maggie Semple, which is a daunting essay in self-justification: it speaks of "a general concern for issues of race, class and gender," but these are notably absent from the show we saw last night at The Place.

The stage setting resembles a derelict furniture store, littered with a detritus of chairs, lamps, refrigerators, and with a couple of life-size models of elderly women rather after the *fashion of George Segal*. Two musicians, Sylvia Hallett and Lucy Wilson, are also there to provide an accompaniment on *piano, synthesiser, and various* other instruments, while some toy-sized male dolls decorate the edges of the dance area as *reminders of who's* boss in this affair.

The action, such as it is, reflects a spoken text by Tasha Fairbanks of real interest in its consideration of the identities *assumed by women throughout* their lives. But the sure images of the writing are nowhere apparent in the flat little dance passages which intersperse a series of tableaux more or less vivants that touch on women's sometimes passionate affection for each other, on the clichés of their clothes, their hairdressing, and the brutalising effect of prostitution. Among the cast of six women only Chantal Donaldson seemed to me to surmount the predictabilities of the material with the ebullience of her style.

I found an almost aggressively parodistic air to much of the evening. More curious still, the idea of social and *sexual* partnership between women and men was, by the nature of the casting, wholly avoided. We were shown a *cartoon-strip view of feminism*, and the moment when a soundtrack of eldritch female laughter was employed suggested that the joke was on the performers quite as much as on the audience.

Menuhin conducting post

Yehudi Menuhin has agreed to become the principal guest conductor of the English String Orchestra from the 1988-89 *season for three years*.

He will conduct 12 concerts, make two recordings, and do a certain amount of overseas work with the orchestra.

Paul Berkowitz/Wigmore Hall

David Murray

The Canadian Paul Berkowitz, a one-time Serkin pupil and for the last dozen years professor of piano at the Guildhall, sounded deeply committed to the Austro-German tradition in his recital on Tuesday. In Mozart, Schubert and Schumann he offered playing of *unshakeable musicianship*, always objective — the performer never intruded — and remarkable for long-range intellectual *grip. His piano-sound has a* satisfying breadth and solidity, and a big dynamic range that he adjusted perfectly to the hall (granted some stressful fortissimo in the Schubert slow movement). No technical tricks or theatrical colours were evident, unless one counted the subtle half-pedalling by which he lent ambiguous depth to certain passages in the Romantic pieces; but his large-scale conception of each work was richly filled out.

I doubt that Mozart played his sporty Rondo in D as straight-facedly as Berkowitz did, but the inspired B minor Adagio got a reading of high distinction, its phrases of intimate tragedy set between powerfully accented chords like columns. Again in Schumann's *Kreisleriana*, if he made *little of its air of flickering* fantasy (the Kreisler in question was not of course the violinist, but a fabulous author) *he delivered all the music* with persuasive seriousness and warmth, at just tempi and with clean-cut contrasts throughout the cycle.

Late Schubert eminently suits Berkowitz's sober, searching style (there are admirable accounts by him of the late sonatas, on Meridian CDs and *cassettes), and he knows how* to give it unstinted power without compromising the essentially lyrical tone. His controlled urgency in the *first* movement of the C minor Sonata was splendid, even with some fingerslips, like his steady — but easy, never stiff — unfolding of the middle movements. The finale flowed quickly, almost breathlessly, and yet the tantalising variety *of its* tuneful elements was precisely realised. In all this music, Berkowitz conveyed structure with impressive authority.

Royal College of Art exhibition

The Royal College of Art's exhibition *150 Years of British Engineering Achievement* will be opened by Prince Philip on November 24.

Sponsored by three leading *engineering companies*—Balfour Beatty, British Steel and Plessey—the exhibition forms part of the celebrations to mark *the* 150th anniversary of the RCA.

Lunchtime and evening lectures will be given by eminent engineers throughout the exhibition period (until January 29) and a commemorative book is being published by Academy Editions.

Atonement/Lyric Studio

Martin Hoyle

Even with two intervals *Barry Collins*'s new play runs just over two hours. Not only would a straight run-through make the short episodic scenes *cohere; it might also keep us* from wondering why this trio of agonised emotional wrestlers would come over better on radio.

The problem is that such developments or revelations as occur stem not organically from the characters or action, but merely because the author thinks it's about time for a change. The result is a long string of surprises, greeted with incredulity, twists to the plot or contradictions, which give the impression that the writer executes his craft according to the toss of a dice.

Danny is living with his landlady Beth in a seaside northern town. His previously committed wife appears one night, apparently on leave from the mental hospital. She reveals that he has a house, unlived in, which *he visits* to repaint once a year. She claims he killed her unborn child. It transpires she carried out an abortion on her*self*.

In the course of a long night of confrontation and soul-searching we learn that she had already lost a child; that Beth is a lonely divorcee whose children ignore her; that Danny visited prostitutes whom he described to his weeping *wife*: that she set fire to quilts and bible readings. "Hell, Danny, what else is there?" demands his long-suffering landlady, echoing the feelings of a large part of the audience.

There is love, of course. All characters declare their love, then contradict themselves, at various points. The mad wife Maura has come for a reconciliation, adding cryptically, "The moon's at the bottom of the sea." *Only she* wants him to give her a baby. Only she doesn't; she wants to pay him money like a prostitute to make him *feel* dirty, and she can't have any more babies anyway.

At its most interlocked, the dialogue has a desperate *claustrophobic intensity that* recalls the increasingly bitter probing of the childless couple in David Rudkin's *Ashes*. Unfortunately Clare Davidson's full-length production gives us time to worry about inconsistencies and reflect that the impetus depends mainly on long reminiscent monologues.

As it is, some fine performances help us keep our patience, though Lorcan Cranitch never makes it plain why his snarlingly graceless Danny should inspire such adoration. Sarah Neville carries us with her as the wife, impassioned, intense, unexaggerated, even when crawling, screaming, round the floor of Bernard Culshaw's set. Annabel Leventon's blend of lived-in sensuality, sad intelligence and dignified resignation are making her the Simone Signoret of the British theatre, and an object lesson in the dangers of being a seaside landlady.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 16–22

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil *paintings, finished and unfinished*, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable *setting is a nice question*. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with *the three re*serve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Bibliotheque Nationale: Fine Prints in France from the 16th to the 19th Century. More than 200 impressions of exceptional quality from the print department of the Bibliothèque Nationale show the infinite possibilities of artistic expression through varied techniques of printmaking. The panorama ranges from early engravings showing strong Flemish, German and Italian influence to the majestic Grand Siècle style under Louis XIV, from Boucher's pastel-hued *sujects galants* to the modernity of Toulouse-Lautrec and the striking colours of Bonnard. Bibliothèque Nationale, Galerie Mansart, 58 rue Richelieu. Ends Nov 2.

Fragonard: The Grand Palais is staging the first retrospective of Fragonard in collaboration with the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which he saw a manifestation of "nature's perfect health". The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative facility of the Scenes Galantes so typical of the 18th century. Grand Palais. Ends Jan 4.

Artcurial presents a panorama of 12 years of its activities in favour of contemporary art as a gallery, a library and as an editor of "multiple originals" of statues and jewels, contemporary furniture, Sonia Delaunay's personal dinner plates and a 1930 carpet. The gallery's exhibitions *have tried to present the im*age of the 20th century. Sonia Delaunay was followed by Giorgio de Chirico, Zadkine's retrospective by Man Ray photographs. There was sculpture by Chadwick and the art of the poster by Matisse. All culminated in a homage to the late President Pompidou – like Artcurial a lover of the avant-garde. Artcurial, 9 Ave Matignon (4299 1616). Ends Nov 14.

***Corbusier:** The Centre Georges Pompi*dou celebrates the centenary of the birth of Le Corbusier with an exhibition on its fifth floor which gives a *global view of the man and his* work; more than 60 models of buildings – 15 of them originals – together with drawings and photographs of his main projects, illustrate his controversial architectural concepts. There is also a reconstruction of an apartment from l'Unite d'Habitation de Marseille, an apartment built and furnished by the artist whose revolutionary motto was "L'utile n'est pas le beau". Closed Tues, ends Jan 3.

Francis Bacon: for his return to Paris, Francis Bacon is showing four triptychs among the 11 canvasses painted between 1984 and 1987. There is a self-portrait, a bullfight and a soberly dressed President Wilson next to Trotsky's study – full of blood, need*less to say. The artist who finds* abstraction utterly boring continues to torture and distort the human figure. Galerie Lelong, 13 Rue de Teheran (4563 1319). Closed lunchtimes and mornings Saturday and Sunday. Ends Nov 22.

WEST GERMANY

Bonn, Rheinisches Landesmuseum, Colmantastraße *14–16: Sculpture* from the German Democratic Republic (East Germany). A result of the cultural agreement of May 1986 between East and West Germany, this exhibition includes 130 sculptures, some of them larger than life, and about 60 paintings of sculptures by 51 artists, and covers four decades. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldeman and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. The show will be in Bonn until October 18 and then to Munich (Staatsgalerie moderner Kunst, Nov 5–Jan 3) and Mannheim (Stadtische Kunsthalle, Jan 23–Feb 21).

SPAIN

Barcelona: "Leonardo da Vinci. Nature Studies" 50 drawings on loan by the Royal Library at Windsor Castle, shown recently at the Metropolitan Museum, Stockholm and Tokyo. Centro Cultural La Caixa, Paseo de San Juan 108. Ends Nov 8.

Madrid: "Beuys, Klein and Rothko. Transformation and Prophecy". Centro Cultural de la Caixa, Serrano 60. Ends Nov 8.

Madrid: "Ouka Lele 1977-1987". A retrospective of Madrid's "movida," photographer with her colouring effects, shows her latest controversial piece "cibeles" requested by Madrid's town hall, halting the capital city's main square and causing a tremendous traffic jam last summer. Museo Espanol de Arte Contemporaneo, Avda Juan de Herrera. Ends Nov 3.

Madrid: "Mark Rothko 1903-1970". 54 works by North American artist of *Russian origin grouped with de* Kooning and Pollack. This show was seen recently at the Tate in London. Fundacion Juan March, Castello 77. Ends Jan 3.

NEW YORK

Metropolitan Museum: 200 objects from the Age of Sultan Suleyman the *Magnificent demonstrate the* wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large se*lection of illuminated manuscripts*, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty *and despair in the American South* were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now *Praise Famous Men. This exhibit is* a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' *work originally done for the Farm* Security Administration. Ends Nov 8.

Saleroom/Antony Thorncroft

Art market pros and cons

The art market seems to have escaped unscathed from the panic on the world's stock exchanges—so far. The received wisdom is that the boom in art prices over the past two years owes much to the money being made from the spiralling stock markets, and general business profitability, and a collapse in share prices should lead to problems for the auction houses. Against this there is the attraction of some art markets as safe homes for spare cash seeking an alternative investment opportunity.

The evidence from yesterday suggests that art as an alternative investment in uncertain *times is a concept with some* credibility, while the impoverishment of potential buyers of Impressionist paintings remains to be proved. Sotheby's actually managed two records in jewels and stamps, two of the favourite bolt holes when conventional investments look jaundiced.

In New York on Tuesday the Porter-Rhodes diamond, a single stone which over time has been whittled down to 54.99 carats of perfection, sold for $3.85m (*£2.29m*), which was a record for a single jewel sold in the US. The stone was considered the finest diamond ever *discovered* in South Africa when it was unearthed in Kimberley in 1880. It had belonged to the second Duke of Westminster and the Maharaja of Indore and now belongs to the London dealer Laurence Graff. The sale of £15,871,197 was another North American record for a jewel auction.

In London yesterday Sotheby's sold the set of 1910 die proofs of the Rhodesian Double Heads of King George V and Queen Mary for £78,100, a record for a lot at a Sotheby's stamp auction. It went to an English private collector and just topped the high estimate. It was the prize item in the first session of a three-day dispersal of Bob Gibbs' unrivalled collection of 1910-13 Rhodesian Double Heads.

Christie's South Kensington was selling antique arms and armour and got a good price of £75,000 for a very rare composite Mamluk armour of around 1500, bearing the St Irene (Constantinople) arsenal mark. A helmet produced around 1515 in Innsbruck by the brothers Konrad and Hans Seusenhofer which had been on display in the Royal Armouries at the Tower of London for the past 16 years sold for £30,000.

Sotheby's also disposed of second division Impressionist works of art for £1,372,635, with 26 per cent unsold. The top *price was £57,200 paid twice*, once for "La Hume" by Foujita,

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Thursday October 22

Bloodshed at BP

THE POSSIBILITY that the forthcoming British Petroleum share offer will prove a flop after the Stock Market slide this week is causing a fair measure of unhappiness in both the domestic and international financial communities. But the fact that the sub-underwriters may have to take up a large chunk of the £7.2bn issue is scarcely a reason for preventing the show going on the road.

The purpose of underwriting in the capital markets is, after all, to provide a safety net against precisely the circumstances that have arisen since panic overtook Wall Street last Friday. To that extent, the Treasury's decision to press on regardless, while cancelling the television advertising campaign aimed at private investors, is reasonable enough. But it is important to recognise that there could be uncomfortable wider consequences.

In the absence of a dramatic recovery in the BP share price, private investors can be expected to shun the offer. It remains to be seen whether their longer term appetite for share ownership has taken a knock. There must be a possibility that many will feel that the Government's approach to private share sales, complete with subsidies from the taxpayer and frothy advertisements, amounted to a misleading prospectus for popular capitalism.

Pension funds

Either way, more institutional money will probably have to be committed to BP than originally envisaged, which means less funds are available to underpin prices in the rest of the secondary market at a time of worrying financial instability. And there is also a question about how far the sub-underwriters' potential losses on their BP shares could weaken the banking and securities systems, which, in London, have become more closely linked, since Big Bang.

The greater part of the sub-underwriting in Britain has been undertaken by ungeared institutions, such as insurance companies, pension funds, and unit trusts. Their capacity to absorb loss is considerable; and, in the case of most pension and insurance funds, actuarial valuations of the assets pay little attention to short-term market values.

In contrast, the banks have geared balance sheets, which means that the decline in the BP share price could have a disproportionate impact on their capital base. But it would be surprising if those who participated in the BP sub-underwriting on their own account had taken aboard a risk that was significant in relation to net worth.

Far more exposed are the foreign investment banks responsible for underwriting the international part of the issue. In an American-style underwriting, the investment bankers do not parcel out the risk to sub-underwriters, but sell the stock directly after heavy marketing before the sale. The international names of the BP issue are, however, among the best (and best capitalised) in the business. In relation to their profits and capital, the potential book loss on the shares is probably not great. If any of them do ultimately run into financial difficulty, it would be as a result of a combination of circumstances, rather than specific losses on BP shares.

Bank capital

The more immediate risk is that the international houses' waning enthusiasm for the issue will cause a high proportion of the BP shares to flow back to London, which would clearly be unhealthy for the domestic market. But it is the task of the issuing house, in this case, N.M. Rothschild & Sons, to address that problem and to ensure that as many shares as possible do find their way into firm hands.

If nothing else, the saga serves to show that the frequently criticised British issuing system has its merits - at least in the extraordinary circumstances of the past week. This is not the first time BP shares have been sold domestically on a scale that rivals what Wall Street can handle; or that a system which is relatively efficient in terms of the demands it makes on bank capital can be seen to have advantages. The irony is that the old-fashioned British scale of underwriting fees was abandoned in this instance in favour of a more slender reward. But with dealings in the shares not due to begin for more than a week, it is too early to offer a definitive verdict on the handling of the issue - or, indeed, on how capital adequacy rules are standing up to the test of the market slide.

An ill-judged nationalisation

AFTER NEARLY three months of trying to nationalise the banks in Peru, it is clear that President Alan Garcia has bungled the measure.

What was intended as a bold move to sustain his heterodox economic policies and recoup political capital has backfired. The nationalisation has proved overwhelmingly unpopular, failing to impress even those on the left. President Garcia has underestimated both the size and the ingenuity of the opposition whose various ploys have at times turned the nationalisation into a kind of national soap opera. The latest move by the aggrieved bank owners has been to give their employees a fortnight's holiday, further delaying the takeover which is now officially law but still under challenge in the courts as unconstitutional.

But if one casts aside the comic images of bankers cocking a snook at an angrily impotent president, the underlying note is one of tragedy. If matters continue as they are, Peru will have a discredited president for the latter half of his five year tenure. This is something which a country with grave economic and political problems can ill afford. Furthermore the banking system also risks being seriously weakened by this battle instead of being consolidated, which could have been one of the positive arguments in favour of nationalisation in a developing country like Peru.

Foreign credit

The curious aspect of this saga is that nearly all the damage has been self-inflicted. President Garcia set out to nationalise at a time when the idea of greater state intervention in the economy has been seriously questioned, if not rejected, throughout the region. Other countries with heterodox economic policies facing up to the burden of the debt crisis, like Argentina and Brazil, have either talked of privatisation or taken concrete steps in this direction.

President Garcia's arguments for nationalisation of the banks and finance institutions, which controlled no more than 20 per cent of credit, were always thin. He maintained that the private banks were channelling funds abroad and failing to invest adequately. With foreign credit almost drying up as a result of his stance on limiting debt payments to 20 per cent of exports, he feared he would not be able to mobilise sufficient resources to sustain rapid growth. Faster growth has been the central plank of his strategy to ensure social and political stability which he rightly recognises is threatened by the violent activities of Maoist guerrilla group Sendero Luminoso (Shining Path).

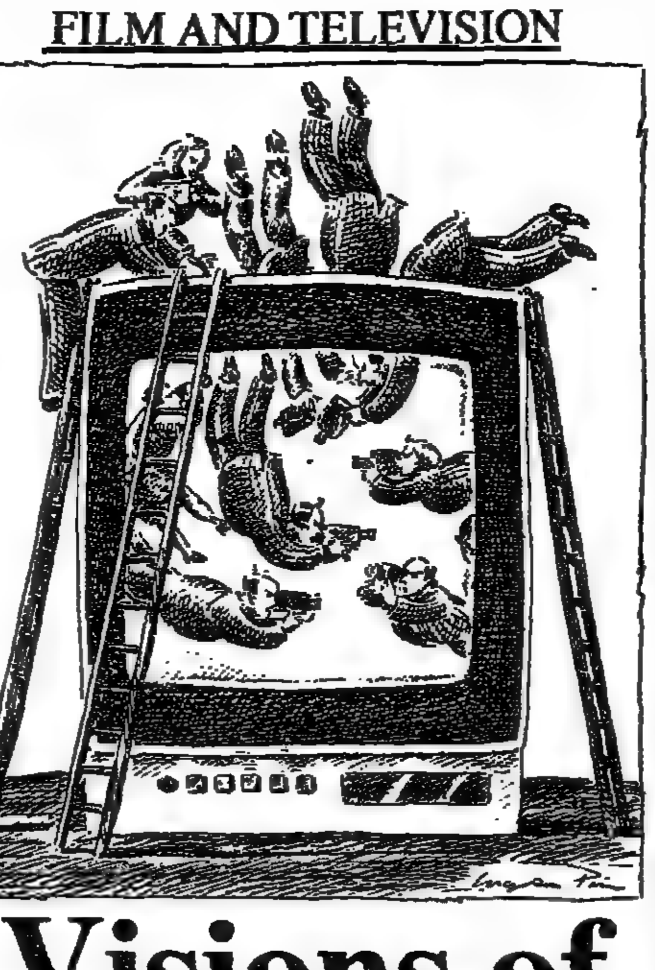
The Peruvian business community shared these concerns and were willing to cooperate with the government even if they disagreed with many of its policies. There was a sense of working together precisely because of the precarious economic and political situation. The arrogant, authoritarian and ill-planned way in which the nationalisation was introduced alienated business at a stroke and stirred the previously passive right.

Majority stake

The fact that it has taken so long to push nationalisation through is in one sense a tribute to Peru's democratic institutions, obliging president Garcia and his ruling APRA Party to respect the courts. The battle has ironically produced a solution in one of the banks, the sale of a majority stake to the employees, which is more radical than President Garcia's original conception.

This solution could be turned round and used not as a means to spite President Garcia, but as a way towards a compromise. If a compromise is not actively pursued, it is hard to see why the bank owmners and employees should throw in the towel; they feel with justification that President Garcia should not be let off the hook. Yet they must be aware that further acts of debilitating resistance will in turn provoke the latent authoritarianism of President Garcia.

FILM AND TELEVISION



Visions of freedom

By John Chittock

AS MRS Margaret Thatcher, the UK Prime Minister, ponders on expert advice about broadcasting, she might well take heed of a view expressed 10 years ago in the ambitious Annan Report on the Future of Broadcasting. It included the suggestion that the impact of the home video recorder would be insignificant. The Independent Broadcasting Authority (IBA) dismissed it up as a technology that would appeal to "only the minority that is acutely choosy in its attitude to broadcasting and can afford the equipment which makes it possible to be choosy."

Today more than half British households with television possess a video cassette recorder (VCR), an outcome which exemplifies the hazards of seeking expert advice on the future of the media.

In 1979, the head of engineering information at the IBA, Mr Boris Townsend, played a joke on delegates at an international video disc conference - demonstrating a "prototype" video camera cassette recorder (CCR). A video recording was made on the platform, using a cable-free camera small enough to be held in one hand. The camera was really an empty box and the recording played back later had been made on professional equipment hours before the conference. To make it more credible, the recording was smothered with picture noise and break-up. No one in the distinguished audience would otherwise have believed what then seemed the impossible.

Only eight years later, CCRs are actually being used for broadcast transmissions - free of the faults used to disguise Mr Townsend's fake. One Danish cable television station even uses 8mm video CCRs as its routine system for programme production.

A further step forward, achieving picture quality that will render television receivers the weakest link in the viewing chain, has been made with the recent introduction by JVC of Super VHS, an enhanced version of the standard in home video.

The impact of technology on both the television and film industries has now become a central issue for the decision makers. No one dares to dismiss the latest gismo, afraid not only of loss of face but of an even bigger loss of profits - as some companies suffered when they failed to recognise the potential of video.

The feature film industry is now the odd player in this game of media futurology. On the one hand, it often seems to be a business that is dead but will not lie down. Seven out of 10 British productions never recover their original investment and only one in 10 American films recovers its cost in the home market.

On the other hand, cinemas in the US and Britain are experiencing a buoyant period - July admissions in Britain were up 14.3 per cent over the 1986 figure, with a similar rise in the US. But in Japan, a slump of 30 per cent during the first half of 1987 is being blamed on the boom in video.

There is more to come: direct broadcasting by satellite (DBS), high definition television (HDTV), the MAC system for enhancing 625-line television, a new film projection standard of 30 frames per second (instead of 24) and the integration of home video with hi-fi audio in the new generation of compact disc video (CDV).

Other, less well publicised developments include the use of digital rather than analogue signals for video recording. A total switch to digital could lead to data and picture media sharing a common language and mean that our concepts of communication would undergo a radical change.

The knock-on effects will inevitably disturb the status quo, demanding different kinds of programming, new criteria in marketing and greater segmentation of audiences. Yet the arrival of new technologies has merely served to focus attention on issues that were always fundamental to the media: how to distribute programmes more effectively, how to offer the viewer wider choice and better quality, who pays and how?

Developments such as DBS and cable have challenged existing concepts of distribution and choice - albeit with the film industry arguing that on quality grounds the cinema is still the best place to see a movie.

Others point out that these services do not come with the television licence fee. A price must be paid for offering the public greater choice without a trip to the cinema. In some instances the cost is in quality too: DBS is bound to yield variable technical results and the more consistent quality of cable is still no match for the cinema. But the biggest worry is that programme quality will come under attack as these new media try to lower the cost barrier.

Unfortunately, the progress in technical developments which has made distribution more efficient has not brought similar benefits to the production end of the business. Film-making at £10m for an international feature movie is now more expensive than ever, and the cost of television programmes continues to escalate. But the most expensive element of all in producing films or television programmes - labour - remains unassailable to technology (50 per cent of that multi-million-pound film budget).

One agreeable consequence arising from these changes has been a slow acceptance by the film and television industries that maybe they are in the same business. Broadcasters now invest in feature films for first-run cinema release: Channel Four last year concluded a breakthrough agreement with the Cinematograph Exhibitors Association which removed the cinema industry's three-year bar on the television transmission of feature films - albeit only for films made within a £1.25m budget.

With television viewing now providing the largest audience for films, it is perhaps inevitable that the political climate should move - sometimes for ideological rather than economic reasons - towards making the public pay more.

But such political thinking seems to disregard the financial plight its taxation policies (in Britain at least) are causing indigenous film production. It is assumed that the film industry can find its own economic balance, helped by the appetite of television and video for its products.

Yet for all the integration of the media, film production remains different from television programme-making - not only in its methods of production, but also in its primary audience, the cinema. In order to survive, the cinema demands pictorial grandeur - which is why the budgets get higher every year.

Now that HDTV can match the picture quality of film, only two technical obstacles prevent television viewing from closing the gap on cinema. One is the limitation on screen size imposed by the cathode ray tube, with 36-inch screens the largest in general domestic use. However, progress is being made towards larger, thinner screens based on the technologies of either liquid crystal display or electro-luminescence. A television screen which hangs on the living-room wall is now a possibility.

The other obstacle, which still defeats the inventors, is three-dimensional television. This seems no more in prospect than 20 years ago, although some hope is offered by multiplexing techniques - which intermix left and right eye images so rapidly that a stereo effect is created without special receivers or viewing spectacles.

Once these developments enhance the quality of home viewing - whether via the airwaves, cable or video - the cinema will be left with only the social experience of the auditorium as a unique selling point.

By then - perhaps 15 years hence - the rest of the film and television industries will be one cohesive industry; television will apparently be governed by market forces only, as the film industry always has been; but both will be tethered by more government regulation than any other leisure or information business.

At this point the politicians may face the ultimate dilemma. The mix of art, technology and commerce represented by film and television - and the mass audiences they can deliver - make the moving picture media irresistible targets for regulation, possibly because access has always been in the hands of the controllable few.

But technology is changing this with the camera cassette recorder (CCR) - which could have a far greater impact than the VCR, or even DBS or cable.

Not only will every western household aspire to ownership of a CCR, in a re-run of the revolution in still photography started when George Eastman coined the phrase "you press the button, we do the rest"; but also movie production will become more economic for community, business and political groups.

As the broadcasters dilute the creative quality of their programmes, the expectations of the public may be more ready to accept such quasi-professional material.

Such programmes are now within the technical grasp of almost anyone. With VCRs as commonplace as washing machines, the means of distribution are also there. Likewise, industry and trades unions are by-passing the commercial systems of television and the cinema - virtually denied them in the past. "Independent video" is the buzz phrase and, as these programmes acquire a professional style and as broadcasters thirst for cheaper or different material, even the airwaves are opening up to them.

Technology is removing the traditional barriers and blurring the edges that once defined the different moving picture media. If the free market economy is to be encouraged in this situation, it may prove very difficult for any government to do the encouraging without accepting the new freedom of speech that the technology brings.

THURSDAY BOOK REVIEW

A Life in Peace and War

By Brian Urquhart
Weidenfeld & Nicolson; £15.95

BRIAN URQUHART worked for the United Nations continuously for the first 40 years of its existence, and in close collaboration with all of the five men who have so far held the office of Secretary-General. It was - apart from three weeks in the Foreign Office Research Department - his only civilian job. The UN has been his life, and his life has been, to a remarkable extent, the story of the UN.

Now he has written it, in his own unmistakable style: matter-of-fact, unpretentious, determinedly internationalist yet unashamedly British; willing to make allowances for other people's difficulties yet scathing about those whose vanity and ambition became a difficulty in itself.

He emerges as a man ready to work round the clock in acute danger and discomfort, yet never priggish or ascetic; able to enjoy the humour of the most appalling situation, and to relish good food, drink and company whenever they come his way; modest about his achievements, yet grateful when they are recognised, and combative when he feels the efforts of his organisation and his masters have been ignored or misrepresented.

That even includes Kurt Waldheim, a master about whom Urquhart feels very bitter now it has become clear that he lied for forty years about his war record. This, Urquhart says, "has done immense damage...to the United Nations and to those who have devoted, and in some cases sacrificed, their lives to it."

Even at the time, apparently, Urquhart and his colleagues "saw Waldheim as two people: Waldheim Mark I, a scheming, ambitious, duplicitous egomaniac ready to do anything for advantage or public acclaim; and Waldheim Mark II, the statesmanlike leader who kept his head while all about him were losing theirs and was prepared to follow our advice in great international crises."

With hindsight, Mark I obviously seems more like the real Waldheim, but Urquhart is still careful to give Mark II his due - defending him, for instance, against the charge that he mishandled the Iranian hostage crisis and crediting him with "determination and even, on occasion, courage."

This is a very good read, full of hilarious anecdotes. Several of these concern Trygve Lie, the UN's awkward and irascible first Secretary-General, who turns out to have haunted Geneva nightclubs under the pseudonym "Rodney Witherspoon".

But the high point is Urquhart's account of his own ordeal in Katanga, during the Congo crisis in 1961, when he was badly beaten up and repeatedly threatened with execution by the secessionist leader, Moise Tshombe's "paracommandos".

This must have been acutely unpleasant and very frightening at the time, but Urquhart manages to convey it as a farcical game of one-upmanship from which he emerged the unquestioned victor.

Eventually rescued and driven back to town in Tshombe's own convertible, he "noticed with satisfaction" that he "was bleeding all over the white upholstery," and insisted on being delivered to the American consulate so as to be seen by Senator Thomas Dodd of Connecticut, "who had always proclaimed that Katanga was the only peaceful and orderly place in the Congo." Apparently, when asked by the press how he was feeling, he really did say "better beaten than eaten."

Urquhart the man of peace has gained a certain fame over the years. What may be less well known is that, while still in his 20s, he played a not insignificant role in the Second World War. He was intimately involved in the creation of the first airborne units, and foresaw, and warned against, the results of their disastrous misuse at Arnhem. Before this he had been seriously injured when his parachute failed to open properly during an exercise; and later he commanded the first Allied unit to reach Bergen-Belsen.

Although even before the war he had wanted to work for the League of Nations, these wartime experiences clearly help to explain both the strength of his subsequent commitment to peacekeeping and his success in organising it. Notably, they enabled him to explain the *"grandeurs et servitudes"* of peacekeeping to battle-hardened professional soldiers

Urquhart's wartime experiences help to explain his later commitment to peace-keeping

For instance, to the colonel of the French parachute battalion in South Lebanon who insisted on referring to both Major Haddad and the PLO as "the enemy", and told Urquhart that the "haute direction" in New York did not understand "l'esprit des paras"; he was able to reply "that I didn't accept the relevance of that remark as far as our task in Lebanon was concerned and that anyway I, as a 'para' who had been involved in the training of the first Free French parachute battalion in 1942, had a fairly good idea of the old 'esprit'."

Urquhart, like the UN itself, is very much a product of the war. Though he is the first to admit that many of the aspirations he and others had for the UN in 1945 were Utopian fantasies, he has never lost faith in its usefulness as a mechanism for averting disaster - as former Secretary-General Dag Hammarskjold said, not to bring mankind to heaven but to save it from hell.

The task is no less urgent now than it was in 1945. If anything can inspire a new generation of world leaders not to abandon it, it should be the heroic example of pragmatic idealism which Urquhart has set, in his life and now in his book.

Edward Mortimer

Men and Matters

Lessons from the past

Finance ministers may scoff publicly at comparisons between events this week and the crash of 1929, but their advisers are taking care not to get caught making the same mistakes.

Senior economics officials, at the triannual executive committee of the Organisation for Economic Co-operation and Development in Paris this week, took time off from their usual discussions for a historical seminar on what happened 58 years ago.

Jean-Claude Paye, the OECD secretary general, and David

"How many more times - it's not a BARE market, it's a BEAR market."

Henderson, its chief economist, led the officials through the events of 1929, emphasising the need for central banks to keep supplying liquidity in order to avoid an economic disaster following the financial shock.

They were relieved to discover the same day that Alan Greenspan at the Federal Reserve had reached the same conclusion.

Paye yesterday rammed home the message that the size of the fall in the world's stock markets was unjustified, and that economic prospects were, in fact, rather encouraging.

And he also took the opportunity to underline the importance of international co-operation - the role of the organisation he heads.

"Interdependence demands cooperation. It was above all the failure of international co-operation which transformed the stock exchange crash of 1929 into a world economic crisis," he said.

No joy

Not quite everyone in Spain is overjoyed at the nomination of biochemist and former education minister, Federico Mayor Zaragoza, as director-general of UNESCO. While some members of the present socialist government have swallowed their original reticence, at least one political group is overtly hostile.

The Canaries National Congress, an independence movement which considers the islands part of Africa, has issued a vigorous protest. Its leader, Antonio Cubillo, who returned to the Canaries two years ago from Algeria, accused the "imperialist powers and their allies" of manoeuvring to eliminate the current director-general, Amadou Mahtar M'Bow of Senegal, in order to replace him with with someone from a colonialist country."

Just to underline its point, the organisation issued the statement to Spanish media in French.

Rough waters

A curious little footnote to Britain's maritime history has been written by small boat sailors who have reasserted their rights to free passage in the tidal waters of the Solent between Southampton and the Isle of Wight.

Associated British Ports, the authority managing the port of Southampton, gathered up its considerable powers over local navigation and - following Falklands tradition - declared a total exclusion zone for yachts and small craft earlier this year.

The "no go" zone was a boomerang-shaped slice of the Solent estuary by the Calshot light float. It also happens to be the main deepwater channel between the mainland and Sacred Cowes, the yachtsmen's spiritual home. The port authority's move was seen as a rare and unexpected example of a commercial undertaking assuming absolute control of tidal waters off the British coast. And it certainly took the weekend sailors by surprise.

After inducing signs of apoplexy among the flag officers of several of Britain's oldest and finest yacht clubs, Malcolm Ridge, the Southampton harbourmaster, has now backed down. The ban has been lifted following agreement between his company and the Royal Yachting Association.

Southampton port is starting to flourish again after years of near-anarchy among its labour force, which drove away its entire cross- Channel ferry traffic and sorely damaged freight business. The latest figures show all classes of ship movements up by about one-third.

Beaux arts

Jimmy Goldsmith's next target, now that he has sold off control of Generale Occidentale, his flagship company, is still shrouded in mystery, but a veil has at least been lifted on the projects of his right hand woman, Gilberte Beaux.

Newly elected France's businesswoman of the year - a title she regards as her marshal's baton after 41 years in the world of finance - she plans to turn political and to devote herself for the next six months to the task of getting Raymond Barre elected president.

Beaux denies any ambitions for political office if her campaign efforts are successful.

"I am now 58 and I began working at a very early age, so I have put in my fair share of hours. I will do the maximum to get Mr Barre elected, but after that I think it would be reasonable to turn very soon to looking after my garden," she says.

Known as one of the toughest negotiators in France - she proved it last year by winning a bitter takeover battle for Presses de la Cite against the Italian financier, Carlo de Benedetti - Beaux is also willing to take up the cudgels on behalf of her sex.

Coming under her fire yesterday was the recently privatised banking group Paribas, which has named a woman to represent small shareholders on its board, but only as a "censeur" and not a full voting director.

In no doubt that a man would have been made a director straight away, Beaux describes Paribas's conduct as "at the extreme limit of what is acceptable."

Paribas may not be the only bankers who will sleep easier when she has turned her attention to politics.

Close harmony

October in Tokyo is import-promotion month. Last year, "Import Now!" posters festooned department stores and railway stations, but the trade imbalance still soared to record levels. This year, the government is trying again. It has brought out two new posters.

One asserts: 'We Must Not Stand Out Above Others', and the other proclaims: 'I Am An Earthling'.

These posters are backed up by dozens of import fairs around the country. And just to prove that its heart is in the right place, the Ministry for International Trade and Industry has commissioned a theme song for these events.It is called "Mutual Love".

Observer

Economic Viewpoint

A setback which need not be a catastrophe

By Samuel Brittan

Glyn Genin

James Baker: a disbeliever in voodoo economics

THE STOCK MARKET is not the whole of the economy, but it is an important part of it. There is no way in which an estimated trillion dollars can be knocked off capital values throughout the world without some effect on inflation or real activity. The stock market shock need not be the end of the current modest world economic upturn; but preventing a downturn will require wiser and less brinkman-like policies than we have so far had.

Comparisons with 1929 are pointless, as the Great Crash of that year has acquired a mythological status out of keeping with what actually happened. The true great crashes occurred later in 1930, in 1931 and in 1932, in the last of which the Dow Jones reached the horrifyingly low level of 41. By contrast, even at their trough on Monday, stock market prices in New York and elsewhere were not much below the levels of a year ago.

On the present occasion, it has become almost a cliche to say that equity markets were too high, after they had risen for most of the 1980s and particularly sharply in the past couple of years. Nevertheless at their peak this summer, both US and British stock markets were little higher in real terms than at the previous peaks of the late 1960s and early 1970s.

The combination of age-old speculation on credit with "stop-loss orders driven by computers" means that when markets turn, they really turn. Nature has brought about its own correction for the excessive involvement of resources in financial markets of which economists of the post-war establishment have complained so bitterly. I imagine too we will hear rather less of inflated City earnings and the rosy prospects for graduates entering the financial sector, compared to the rest of business and industry.

Nor will it have done any harm for the millions of new small investors to learn that markets can fall as well as rise, a lesson that might have been missed in the steady stream of riskless profits for stags in British privatisation issues previous to the current BP offer.

Another consolation is that fears of a fresh wave of world inflation should have been reduced. This will not prevent inflation in the US from being higher relative to the other main industrial countries, given the dollar fall that has already taken place, let alone any more to come. Worries about inflationary overheating in countries such as the UK should be dampened, despite knee-jerk City reactions to the banking figures. In West Germany they were always absurd.

The events leading up to the 1987 stock market debacle are easy enough to chronicle. This year's rise of 3 percentage points in long-term bond yields in both the US and Japan, together with substantial rises in Germany and other countries, should have been a warning signal.

It did not in itself, however, make a bear market in equities inevitable.

Henry Kaufmann of Salomon Brothers points, however, to an interesting contrast. Last time US long yields rose above 10 per cent in 1979, short-term rates were very much higher as they had been jacked up by the Fed in anti-inflationary dollar-supporting moves. The result was that the markets were looking ahead to eventual recovery once inflation was slain. This time short-term rates are well below long-term ones because the Fed protests that inflationary fears are overblown.

The scene was set for the stock market rout by another set of so-called bad US trade figures on October 14. At the same time, the tightening of German monetary policy caught worldwide attention, throwing doubt on the continuation of the Louvre agreement.

James Baker, the US Treasury Secretary was right to criticise the perverse policies of a divided Bundesbank, but wrong to add hints that he would start to talk down the dollar.

If there is one rational ground for stock market pessimism it is that the dollar will go into free fall; and that the Fed would take fright and embark on a ferocious rise in interest rates, which would bring about the recession which the American financial community so loves to discuss.

Not surprisingly there was a hasty retreat by all parties, with a US-German statement on Monday night reaffirming the Louvre Accord and German action to ease interest rates. But by then much damage had already been done.

The main reason why US interest rates should have been raised earlier and higher in 1987 is the dollar. The great mistake of the Louvre agreement was not the attempt to put a floor under the dollar. It was the attempt to do so mainly by official intervention in the foreign exchange market, rather than by more explicit adjustments to domestic monetary policy.

If Germany loosens monetary policy and the US tightens it in an obvious and above-board way, the costs and benefits are clear to all from the start. Instead we had the sudden awakening in Germany to the back-door easing of monetary policy and the belated tightening of Fed policy in the late summer.

The ostensible reason for the recent perverse tightening in German monetary policy was the rise in German bond rates, for which there was no rhyme or reason in the outlook for either inflation or the real economy.

Economist Kurt Richebacher of Frankfurt has suggested that the Louvre agreement had a perverse effect on German bond prices. For by convincing the market that exchange rates would be pegged, it made German bonds, which yield 3 or 4 per cent below American ones, a bad buy.

The lesson is surely the need to move as soon as possible to a more structured agreement than the Louvre. The interesting aspect of UK Chancellor Nigel Lawson's IMF proposals was not target zones as such, but the suggested adjustment of the central parities by modest amounts falling within the target ranges. This is known in the trade as "a crawling peg".

There is no way by which the financial markets will believe in an unchanged parity of the inflation-prone dollar against the hard currency mark or yen. But once overall confidence is restored, they might well believe that the downward crawl can be held to the 3 to 5 per cent per annum corresponding to international inflation differentials. This would be the best way to end fears of either an over-rigid target or a free fall of the dollar.

Six guidelines for top-level action

THE situation of the world economy after the stock market debacle is serious but not hopeless - the opposite of what Hapsburg statesmen are supposed to have said as they watched their empire totter into war and collapse.

Here is a six-point plan, covering nothing that has not been urged many times, which each country can undertake individually in its own self interest, but which will be self-reinforcing if undertaken together.

● What the US needs is not cheaper or dearer money, but a "balanced budget". Nothing would do more to restore confidence both to the US and the world economies than a convincing plan to eliminate at least the General Government deficit (which might leave a federal deficit of no more than $60bn). Half the cut should come in 1988 and the remainder within the next fiscal year.

Both Vice-President George Bush and Treasury Secretary James Baker believe that the inhibitions on the spending cuts and tax increases required are nothing more than voodoo economics. Is it not time they told the President this in unmistakable terms and worked with Congressional leaders on a drastic emergency package?

Fiscal restraints in Britain under Chancellors Denis Healey in 1976-77 and Geoffrey Howe in 1980-81 were associated not with recession but economic recovery; and the move to a near-balanced budget under Nigel Lawson - however it has come about - has been associated with Britain's leap to the top of the growth league.

After an emergency fiscal package, the Fed will have the room it does not now have to relax or tighten policy in line with economic requirements and finance ministers will also have a better idea of where the dollar needs to go.

● The West German authorities should commit themselves to an objective of 5 per cent growth of nominal gross domestic product, to be achieved up to 1990 by whatever mixture of monetary and fiscal policies they choose. To follow this policy, the Bundesbank would simply have to adjust its monetary targets in the light of changes in the velocity of circulation. Mr Baker too must accept the little word "nominal", which both makes the objective achievable and builds in a counter-inflationary safety catch.

● There must be some Japanese contribution, even if across-the-board monetary relaxation is not a suitable response to recent financial speculation. The infrastructure spending frequently recommended to all and sundry on ideological grounds may indeed be what Japan requires on a larger scale than already planned.

● Once markets have settled, the Louvre Accord should be transformed into one of published target zones with an adjustable central parity.

● The British should end all the years of waiting for the "time to be ripe" to join the European Monetary System. If not now, when? The game of guessing how the Prime Minister's mind might move on this has lost its fascination and it is time the Cabinet played a role of the kind suggested for Bush and Baker in the US.

● The misleading statistics which threw markets off balance need to be taken in hand. It is quite intolerable that the greatest nation in the world should have its currency at the mercy of monthly trade figures which do not even separate value from volume. It is just as absurd that the UK, which has an external surplus, should report a deficit because of statistical scruples in allocating the balancing item. Nor can we afford the black hole in the world economy of an annual deficit with itself of $50bn to $100bn. Political economists need to take over to produce figures which are roughly right rather than precisely wrong.

If the events of the last few days do not make this programme, or some equally far-reaching alternative, realistic nothing will.

If we see nothing along these lines, we face not necessarily a depression, but years of sub-standard performance, including further increases in US interest rates, a slipping dollar which does not improve fundamentals and continued bickering among the Group of Seven, interrupted by face-saving communiques. It is not a collapse of democracy but a decline into mediocrity - like the politics of the Hapsburg Empire in its final years - without the redeeming feature of that Empire's artistic achievements.

JOE ROGALY

Abusing their children

CHILD SEXUAL abuse does exist, and it can be horrifying - but its extent is almost certainly exaggerated. This conclusion is drawn from conversations with social workers, paediatricians, and others following the publicity given in the UK to a spate of cases in which some 200 children were taken from their parents by the Cleveland social services department on the ground that they would be "at risk" if allowed to remain at home. The subsequent judicial inquiry into those cases is still in session; meanwhile it is possible for the non-specialist to unravel some of the confusion about the pohenomenon in general.

The story starts, as so many do, in the United States. Over there, the writings of Henry Kempe and others led first to a realisation of the shocking incidence of physical maltreatment of children ("battered babies") and, some years later, to a focus on sexual abuse. Each time the concentration of American doctors and social workers on such tragedies was followed, after about ten years, by a similar discovery of abuse in the United Kingdom. It took some time for British public opinion to accept the idea that people could be so beastly as to batter or torture their children, but a few celebrated cases made it impossible to ignore what the post-Kempe generation of social and health workers was saying.

Those same professionals believe that Britain is now going through a similar process of learning about child sexual abuse - and isn't it a pity, they say, that the dawning of enlightment is being postponed by the obvious muddle in Cleveland. This is not an assertion that one-in-ten or one-in-three children are sexually abused, or anything so dotty. The truth is that (a) nobody really knows how many, while (b) the quantity of diagnosis is currently as volatile as the FT Index. The recent sharp climb in reported cases will doubtless be followed by fluctuations and a more settled curve at a lower level. But the abuse, whatever it is, cannot be ignored, as the grisly accounts I have heard indicate.

Hard as it is to credit, there really is a category of extreme abuse. A six-year-old boy with cigarette burns around his genitalia was one specific example cited. We need not dwell on that category. Pregnancy, venereal disease, the presence of semen, and cuts or bruises constitute undeniable physical evidence of a second category; most of these are handled by the police. There is not always such clarity, however, in the case of suspected intercourse, even with very young children. As the paediatrician put it, echoing a rather less blunt formulation in The Lancet, "a child can have a bruised bottom but not have been sexually abused, and a child can have been penetrated but not have a bruised bottom."

Diagnosis, in her view, depends upon the child's own account (it is assumed by most professionals that very young children do not lie, particularly about such matters), plus a plethora of information about the family and its circumstances. The child's behaviour is also evidence. She told of a three-year-old-girl who, on examination, wiggled about in a manner that her parents later insisted was learned from watching a pornographic film on their video, and of another who came across as highly flirtatious when undressed. (Fortunately that particular father has left the family home.) Such cases do seem to require the multi-disciplinary approach in which doctors, police specialists, social workers and others try to assess what is to be done in the interests of the child.

But what of non-physical abuse, like performing sexual acts in front of children? Done repeatedly, in a non-caring family, by, say a stepfather or a grandfather (both real cases), this can be psychologically damaging. It is not, however, a clear-cut reason - to the lay observer - for breaking up the family. The sensible social services directors tend to agree: they would try a word in the offender's ear first, and a warning to others in the family after that. For apart from the physically obvious cases there are few certainties in this area of practice; paediatricians, and others, can be wrong. The sensible ones are conscious of that. What the rest of us have to take on board is that, alas, they can be right.

Letters to the Editor

Stabilisation scheme

From Professor W Buiter.

Sir,- After the largest recorded one-day declines to date of the US and UK stock markets on October 19, Mrs Thatcher declared that "the underlying economies are strong and growth prospects are good." She may well be right. She might also welcome an opportunity for putting the taxpayers' money where her mouth is.

The crash and her statement present me with a golden opportunity for wheeling out one of my favourite non-standard proposals for reforming macroeconomic management: direct stock market stabilisation through an extension of open market operations to include the buying and selling of private stocks and shares by the government.

Recently governments in the main industrial countries have demonstrated considerable interest in stabilising exchange rates and have even achieved a measure of success in this area. The climate may therefore be right for extending such policies to the world's stock markets.

In order to avoid having to take a view on the merits of individual stocks the UK Government could buy or sell a very broadly-based basket of UK company shares, say one consisting of all listed and unlisted UK companies in proportion to their aggregate market value. In order to avoid the temptation to get involved (as shareholders) in the nitty-gritty of of individual company affairs, all purchased stocks and shares could be put in a "national blind trust" whose income would go straight into the Exchequer.

Where the market's movements are in line with the government's perception of the fundamentals, there would be no buying or selling. When the government perceives a "bull bubble" it would sell (sell short if necessary) and when it perceives a "bear bubble" it would buy. Purchases would be financed in the short run either by borrowing or by money creation, depending on the prevailing macroeconomic conditions.

In the long run the taxpayer would foot the bill (through explicit taxes or the inflation tax) for any failure of the government to impose its view on the market, or reap the rewards from stabilising official speculation.

The details of the operation of such a "stock market stabilisation scheme" may require some further working out. One could imagine an FT Ordinary "target zone", with either rigid or soft margins around a trend reflecting the perceived underlying growth of profits, with the government's intervention rule either public knowledge or under the Official Secrets Act. Some international co-operation, much in favour recently, may also be required.

If the Prime Minister is right (and the Chancellor's characterisation of the Market's behaviour on October 19 as "absurd" is correct) the collapse was both unnecessary and damaging to the real economy. Believers in "market efficiency" will consider the proposed scheme redundant at best and quite possibly harmful. They can find comfort in the opportunity for speculating against the government's stabilisation scheme, whose eventual collapse would, in their view of the world, be a sure thing. Ex-ante therefore, everybody would be better off under the new scheme.

(Professor) Willem H Buiter,
London School of Economics,
Houghton Street WC2.

Dollar rise wanted

From Mr D Salem.

Sir,- There are fads in all markets. The currencies market and the stock markets are no exception. Not so many years ago, for instance, all eyes were focused, at the end of each week, on the publication of the US money supply figures. For some time now, they have been focused on the monthly US trade figures; and this despite their being subject to later revision (sometimes substantial); despite the absence of adjustments for seasonal variations; despite also the inclusion of freight in the import figures - a practice which leads to distortions both in the trend shown by the reported figures and in the comparisons made with the figures of some other countries. The general unreliability of trade figures is further demonstrated, if need be, by the fact that the net total of the trade figures of all trading countries comes to many tens of billions of dollars - exceedingly far, therefore, from the zero that logic and simple arithmetic dictate.

On these grounds alone, it doesn't seem very sound to base decisions in the currencies and stock markets - let alone major policy decisions at government level - on published trade figures. But there is a much more interesting facet to this whole question.

The failure of the US trade deficit to show any appreciable shrinkage, nearly three years after the American currency started on its uninterrupted decline, leads most analysts to conclude that the dollar's fall to date, although very severe, is still far from sufficient, and that a further important drop is not only necessary but in the offing. Never mind that anyone who visits the United States finds the price of many goods there now lower than in Europe. Never mind that exports as well as imports include many items which are not price-sensitive. Never mind also that a devaluation's impact on prices is far from automatic: exporters to a country with a weakening currency tend to cut their margins rather than see their goods priced out of the market; conversely, manufacturers from that country will be tempted to take advantage of the devaluation to earn a higher return on exports by not allowing their selling prices abroad to go down as expected. Never mind, finally, that imports are sometimes paid for in the currency of the importing country, while exports do not all necessarily earn foreign currencies. The general opinion still is that at some point the famous J-curve theory will be vindicated, and few are asking themselves why we have been stuck on the unfavourable side of the J for so long - far longer, in fact, than past experience with currency devaluations has shown to be the rule.

In my opinion, we are likely to remain on the wrong side of the J for as long as the dollar keeps sliding, unless we are prepared to push it down to really absurdly low levels, with all the attendant dangers that this would present. The J-curve phenomenon works when a devaluation brings a currency down in one fell swoop to a new level at which thereafter it will be maintained; it is much more difficult for it to work in the case of a continuous, progressive devaluation, because such a gradual erosion of the currency keeps piling one new J-curve on top of another.

The conclusion? Paradoxical as this may sound, I suggest that we would witness a rapid improvement in the US trade balance if the dollar were to rise, and that such an improvement would continue for as long as the currency had a slow steady climb - but stopped short of the dizzy heights reached in early 1985.

Daniel Salem,
Vogue House,
Hanover Square, W1.

Independence of auditors

From the Director of Audit and Accounting Services, Price Waterhouse.

Sir,- Mr John A Newman (October 16) commented on the subject of incorporation by accountancy firms and in particular the ownership of up to 49 per cent by "outsiders." Mr Newman goes on to indicate that Peat Marwick McLintock and Price Waterhouse have gone on record as opposing "the offer of shares to outsiders." It is not correct that Price Waterhouse is opposed to such moves. Our recent submission to the DTI supports the principle of incorporation.

In addition we also support the appropriateness of legislation to establish a maximum outside shareholding together with a thorough review towards establishing strict independence controls by the Institute of Chartered Accountants in England and Wales, supported by secondary legislation. Whether we as a firm would wish to avail ourselves of the facility of seeking outside capital is, of course, a matter for the future.

It is fundamental that the independence of auditors must be safeguarded as strictly as possible but looking ahead we need to ensure that the accountancy profession is equipped to meet the needs of changing circumstances. We are glad to see that Mr Newman is of a similar view and that there may be a variety of approaches which might be adopted. As things now stand we do not believe that there has been sufficient examination of the problems to enable the Institute, or the DTI, to take a balanced view of potential difficulties and to consider how self-regulation principles can be framed. This in our view must be done in arriving at a sensible but, nevertheless, acceptable approach which allows the profession to change with the times but does not compromise the interests of clients or users of financial statements.

Colin Brown,
32 London Bridge Street, SE1.

A gigantic subsidy

From Mr D Lindsay.

Sir,- Philip Chappell (October 13) is, of course, quite right. Few would mourn for pension fund tax relief - a gigantic Exchequer subsidy for those that hath that, curiously, escapes classifications as "expenditure" - if the alternative were the prospect of a single rate of income tax at 20 per cent.

It is not, however, only the "carrot" of income tax relief, but - perhaps to a less extent - it is also the "stick" of inheritance tax that compels us into the expedient of providing for our future by means of pensions or annuities, when we would much rather plan our retirement on the basis, mainly, of income from our savings (ie the much greater savings that will have been made possible by the lower income tax and the abolition of capital gains tax), with the right to pass on the balance of those savings to our children, or, elsewhere, at our choosing - not at the Government's.

If we want to become a nation of responsible capitalists with long term horizons, this, surely, is the way to achieve it?

David G Lindsay,
36 Orchard Coombe,
Whitchurch Hill,
Reading, Berks.

FINANCIAL TIMES

Thursday October 22 1987

US State Department faces leaner times writes **Andrew Marshall**

Taking a cleaver to diplomatic fat

THE US is used to conducting its diplomacy with a certain degree of exhibitionism. When Mr George Shultz, US Secretary of State, went to China this year, he took 220 people with him. The trip lasted five days and cost $5m.

But such conspicuous consumption is out of place as Washington crawls painfully towards cutting the $156bn federal deficit: Congress has decided it can no longer keep Mr Shultz and the Department of State in the style to which they have become accustomed.

In the lush years between 1981 and 1985, the department did well. Its funding for salaries and expenses - the main variable component of its budget - rose by 95 per cent, 35 per cent faster than even the Defence Department, and well above the average of 50 per cent for federal spending as a whole.

The fiscal landscape is now much bleaker. Although the department's spending is small change in the federal budget, less than 1 per cent, it will have to take its share of the cuts.

State Department funding for the fiscal year, which began on October 1, will see at best a minimal rise from $1.61bn to between $1.63bn and $1.69bn. After adjustments for inflation, the department estimates a shortfall of $84m.

Cuts on this scale will draw blood. Plans drawn under the guidance of Mr John Whitehead, the assistant secretary, envisage reducing jobs by 1,300 (8 per cent of the full complement) through a combination of redundancies and retirements. Several bureaux in its Washington base in Foggy Bottom would be closed or consolidated.

Two embassies - one in Equatorial Guinea, the other on the Comoro Islands in the Indian Ocean - are scheduled to close, and 13 overseas consulates. Fourteen consultates have already closed, the majority in Europe, a part of the world which has become prohibitively expensive after the fall of the dollar. Administrative facilities would be shifted from Paris to Bangkok. The department has also sought to avoid closing Asian consulates because of anticipated congressional opposition.

The plans have come under heavy fire, from both inside and outside the department. The American Foreign Service Association, the professional body of the foreign service, is horrified at the prospect of losing one-tenth of its members.

Although they recognised the need for cuts, said Mr Perry Shankle, the association's president, these should be spread across personnel and equipment. The association calls the plan "a meat axe approach".

Mr Allen Goodman, assistant dean of the School of Foreign Service at Georgetown University, is blunter still: "It's lobotomy with a meat cleaver," and claimed that cuts had been planned without regard to maintaining essential services or efficiency.

Congressional aides say the package, which claims to cut $56m of the $84m required, probably would not even reach that target. And if, as is possible, the Gramm-Rudman axe comes down later this year, yet more cuts may be needed.

Mr Ronald Spiers, under-secretary of state for management, seems resigned, both to the scale of the cuts and the criticisms. "I don't like what we have to do either," he said bleakly.

But he points out that since 65 cents of every dollar goes on personnel, job losses are inevitable: "We are not like the Defence Department. We can't just cut back construction or procurement programmes."

Ironic contrasts with the Defence Department's massive budget abound. The Foreign Service Association notes that the $84m which has to be cut is less than half the cost of a strategic defence bomber, and that the Defence Department's annual budget for jet fuel is greater than the State Department's total spending.

The Foreign Service Association and the department stress that they are "the first line of defence," providing a vital part of national security.

But the Defence Department has a large and active constituency of corporations that hang on its every contract, and powerful congressional allies. The State Department has neither. It lacks the patronage power and has few friends on Capitol Hill.

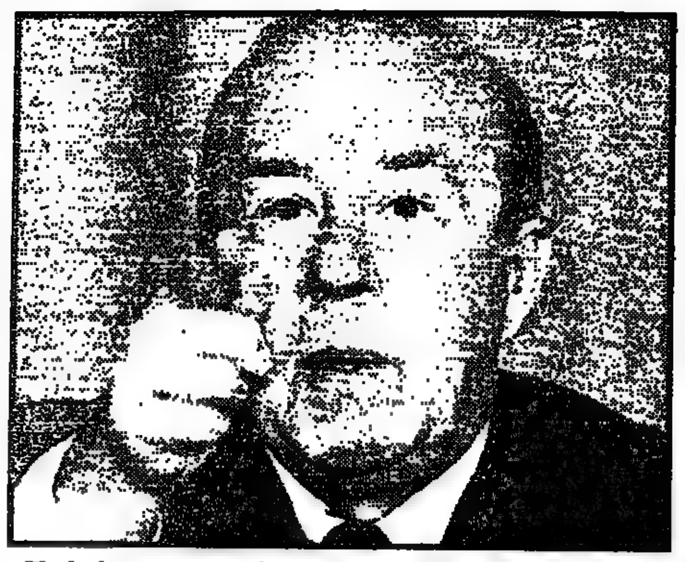
However, there are plenty of Congressmen, such as Republican Senator Jesse Helms, the scourge of Foggy Bottom, queueing to take a swipe at the State Department's professional bureaucracy.

The foreign service is seen by many on the right to be effete, overspending, and only too willing to betray its country's interests for half-baked internationalist notions. "It is easy to bash foreign operations, and it is fun to go after the Department of State," lamented Senator Daniel Evans after a recent Congressional bating session.

Officials realise there is deep-rooted suspicion of the foreign service on Capitol Hill: "We deal with foreigners," said Mr Shankle, almost apologetically. Service morale is low.

The department is trying to rouse public opinion by pointing out the effects of the cuts. But it is an uphill task. No one relishes the prospect of explaining to Mr Helms that the embassy in Equatorial Guinea is a vital resource. Mr Shultz, for instance, claims that it may be necessary to cancel the forthcoming meeting of the Organisation of American States because the department cannot afford the $900,000 needed to pay for it. But some may remember that this is less than half the cost of the department's plan to replace lost and damaged silverware.

Everyone is avoiding emotive terms like "decline". But it is clear that the State Department, and by extension the US, will have to make some very hard choices about resources and commitments over the next few years.



The lush years are over for Mr George Shultz and his department

Britain and Saudi Arabia enter offset trade deal

By Richard Johns in London

THE BRITISH Government will encourage UK investment in joint ventures worth between £500m ($825m) and £600m in Saudi Arabia under the terms of an accord signed in Riyadh.

The commitment has been made in response to the Kingdom's demand that it receive compensatory economic benefit for its £5bn outlay under the government-to-government deal on an aircraft package, which includes 72 Tornado aircraft. The package was originally agreed in February 1986.

No precise figure for the offset investment was given in the memorandum of understanding, signed by Prince Sultan bin Abdul-Aziz al Saud, Saudi Minister of Defence and Civil Aviation, and Mr George Younger, UK Defence Secretary.

The target is understood to be equivalent to 35 per cent of the value of the UK component in the hardware being delivered by British Aerospace.

That will mean essentially 40 per cent of the value of the Tornados, built by the Anglo-German-Italian Panavia consortium, and 50 per cent of the 30 Hawk trainer/strike aircraft powered by French engines. The 30 PC-9 trainers manufactured in Switzerland will not be included in the calculation.

The Saudi Government is thinking in terms of 50:50 joint ventures, with half the financing coming from equity stakes in the first instance and the balance in high concessionary loans from the Saudi Industrial Development Fund.

It has not yet been decided whether the Saudi equity participation in the joint ventures will be counted as a contribution towards the sum set as the goal for offset investment.

In Whitehall, it was stressed yesterday that the memorandum of understanding in no way constituted a guarantee on the part of the UK.

It speaks of the two governments giving "support and encouragement" to interests in their respective countries, wanting to establish "commercially viable and profitable ventures of benefit to both.

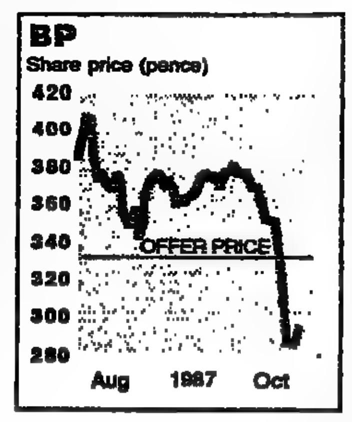
At the same time, Prince Fahd bin Abdullah, Assistant Minister of Defence who heads Saudi Arabia's offset committee, has evidently dropped his insistence that only high-technology projects qualify under the programme.

That was the principle adopted in the offset agreement relating to the "Peace Shield" aerial defence system being carried out by a consortium headed by Boeing of the US, which resulted in four approved projects involving an nearly $800m investment.

THE LEX COLUMN

Just in time for BP

Despite the rally in markets around the world yesterday, there is still much to disturb investors. The Stock Exchange Topic system's inability to display the FT-SE 100 index for a couple of hours was an irritant, though the futures market managed to keep trading without it. More significant for the fragile state of confidence was the West German cabinet's show of annoyance with US Treasury Secretary Baker, even though it was justified in reminding the US of its Louvre commitment to cut its budget deficit. Markets are getting impatient for a credible policy statement from the US authorities.



BP

The Government's timing over BP has proved very lucky indeed. There might just have been a case for pulling the issue right up to the point when the sub-underwriting was complete, and that came 24 hours before Wall Street started its collapse last Friday. Since then, France has had to postpone the privatisation of Matra and the Norwegian government has put off a planned rights issue - Scandinavia's biggest - for Norsk Hydro. Next month's Channel Tunnel flotation and the sale of a second colossal chunk of NTT in Japan will need careful handling.

For the BP underwriters, the issue may prove painful rather than damaging. If the price stays around yesterday's closing level of 297p - more than 10p below the most optimistic value of the offer - there will presumably be no takers. This would leave the UK institutions with upwards of 60 per cent of the offer, rather than the 15 per cent minimum originally envisaged. The resulting £1.6bn cost of the first instalment would be bad news for institutional liquidity, especially if it had to cope with other things like unit trust redemptions.

But the more philosophical institutions might do best to settle for an effective price of 310p. Some of the issue, after all, can be regarded as maintaining institutional weighting in the stock, even if it is awkwardly bunched. There could be little alternative to holding on, given the prospect of UK oversupply. Goldman Sachs, Daiwa and the other foreign underwriters will be placing the stock not with natural holders, as in the UK, but with brokers and investment banks whose business is to sell on to the public. Barring a remarkable late outburst of public enthusiasm in the US or Japan, that stock will surely be winging back to the UK market.

Takeovers

One of the lasting effects of the market shake-out could well be in corporate conduct. If City operators are likely to fight shy of new issues or block trades, companies should be more scared of being left holding assets which could decline in value. The result should be at least a temporary halt to what had become a rather dangerous phenomenon: the break-up bid.

In the past year or so, it had begun to seem that almost no bidders wanted to buy companies to run them better, but rather to sell off the bits at a profit. Hanson Trust had long been operating successfully as a warehouser of businesses - for example, selling the unwanted parts of SCM for more than the total acquisition cost, while keeping a large chunk of the earnings. Newer entrants in the game were such pillars of rectitude as ICI, whose purchase of Stauffer from Unilever demonstrated its new-found belief that it was worth buying a business just to get at a third of its operations. The financial sector saw break-up bids such as British & Commonwealth's for Mercantile House. The Swiss prudence of UBS in backing out of its offer for Hill Samuel was an instructive contrast.

One danger in such bids is that the acquirer often gears up to finance the takeover on the assumption that post-deal sales will pay back the loans. Fine in a continually rising market, not so clever now. Worse still is the type of takeover Benlox has proposed for Storehouse, depending on separate stock market quotations for each part adding up to a valuation more than the original whole.

But the only bids likely to succeed at present are for cash. Matthew Brown and Hill Samuel shares have outperformed their sector rivals during the market falls thanks to cash offers on the table. Associated British Foods now has a better chance of winning its cash bid for S & W Berisford at 400p, though if it does it will presumably have a harder time selling off the non-British Sugar parts.

Another endangered species in the market's new mood must be the corporate raiders and arbitrageurs. Buying a disclosable stake in a company to put it into play, or simply to stir the pot in an existing bid, is not the easy way to a profit it used to be.

Small companies

With Wall Street and London having fallen by close to a fifth over the last week, investment managers are still spending most of their time sorting out their views about where world stock markets go from here. But as the dust begins to settle, they will have to address the question of how the "Crash of '87" has affected the outlook for individual sectors and shares. It is clear from the events of the past few days that at the height of the panic to get out of the market, little thought was given to what was being sold, and it has been the most liquid, bigger capitalised stocks which have inevitably taken the brunt of the selling.

Smaller stocks, which have outperformed the market for the last 18 months, have escaped much of the sell-off. Brokers Wood Mackenzie note that whilst the FTSE-100 stocks had fallen by 22 per cent in the first couple of days this week, the rest of the market had fallen by 15.9 per cent. Even after the setback, non-FTSE stocks are up by an impressive 29.3 per cent on the year to date. Whether this will last is another matter. In the US, over-the-counter stocks have underperformed throughout the bull market. Given the increasing nervousness in the markets, this raises the question of whether UK investors will continue to favour small UK companies with uncertain earnings outlooks, rather than the more solid virtues of Marks & Spencer, Unilever or GEC.

Shultz confident on Moscow talks

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

MR GEORGE SHULTZ, the US Secretary of State, who yesterday left Helsinki for Moscow by train after fog prevented him from flying to the Soviet capital, said he was confident of making progress on arms control in two days of talks with Mr Eduard Shevardnadze, the Soviet Foreign Minister.

However, Mr Shultz shied away from predicting whether a date could be set at this week's meeting for a summit in November between President Reagan and Mr Mikhail Gorbachev, the Soviet leader.

The two ministers hope to tie up the remaining loose ends of a treaty on the worldwide abolition of intermediate-range nuclear missiles, on which they reached an agreement in principle at their last meeting in Washington in the middle of September.

Since then, US and Soviet negotiators in Geneva have been working flat out to put the final touches to an INF (intermediate nuclear forces) treaty in Geneva. Although both sides said that some points remained open, particularly on the issues of verification and the timeframe for the phasing out of missiles, Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said: "There is reason to be optimistic."

One of the issues which has cropped up again since the Washington meeting between the two ministers is that of the timetable for the abolition of the West German Pershing 1A missiles and their US-controlled warheads. That problem appeared to have been solved in Washington after the US agreed to destroy their nose cones when the missiles themselves were eliminated and to return their contents to US territory.

Although the conclusion of an INF treaty now appears to be virtually a foregone conclusion, progress towards agreement on a 50 per cent reduction of strategic arms has been blocked by Soviet insistence that any accord in this field must be accompanied by an undertaking by Washington to abandon President Reagan's Strategic Defence Initiative.

In Washington, however, Mr Shevardnadze hinted that Moscow might be prepared to modify its position by expanding the definition of the SDI components which it was prepared to see tested in space.

Mr Shultz and Mr Shevardnadze are also due to discuss the situation in the Gulf after the latest US-Iranian clashes; political solutions to the Afghanistan conflict; and human rights problems. Soviet officials have indicated that Moscow would again urge the US to reconsider its opposition to a United Nations task force for the Gulf.

US, UK companies plan telephone link

BY DAVID THOMAS IN GENEVA

NYNEX, the New York-based telephone company, and Cable & Wireless, the British telecommunication company, are considering taking a slice of the fast-growing business traffic between the US and the European Continent using their new transatlantic telephone cable.

Nynex and Cable & Wireless are planning to launch a new service between the US and the UK in mid-1989 using their new transatlantic fibreoptic telephone cable.

The cable, which will cater for the private voice and data traffic of big companies, will challenge the grip on UK-US traffic held by American Telephone & Telegraph and British Telecom.

Mr Delbert Staley, Nynex chairman, said yesterday that the cable might also be extended to the Netherlands.

"This would allow us to cater better for the European needs of our multinational customers in New York," he said.

He was speaking at an international telecommunications exhibition in Geneva just before signing a co-operation agreement with the Dutch telecommunications authority under which Nynex will explore with the Dutch joint services for particular groups of customers.

Nynex, one of the large regional US telephone companies spun off after the break up of the Bell system in 1984, still needs the permission of the US authorities to operate the transatlantic cable.

Mr Staley said he expected a decision in the first quarter of next year.

He also indicated that Nynex wanted to build up its presence in Europe, including through acquisitions.

He mentioned tele-marketing - selling goods over the telephone - as an area in which Nynex was interested.

● The judge responsible for the decree which broke up the Bell system yesterday accused European countries of unfairly protecting their telecommunications industries.

Judge Harold Greene, who still oversees the US telephone industry, said in Geneva that many European countries used equipment testing and standard setting procedures as ways of protecting their industries.

The judge's remarks reflect the US belief that Europe has lagged behind it in opening its markets as a result of telecommunications deregulation.

IBM lifts veil on its telecoms strategy

By David Thomas

INTERNATIONAL Business Machines, the world's largest computer company, yesterday set out the strategy to boost greatly its telecommunications business based on alliances with other companies in the industry.

IBM, which has recently been under pressure in its core computing business, is putting greater stress on telecommunications because it believes the long talked about conversion with computing is now beginning to happen.

Mr Michael Armstrong, president of IBM Europe, said: "We are increasing our involvement in the telecoms business through alliances with other suppliers in the industry."

Mr Armstrong, making an unusually detailed statement of IBM policy at an international telecommunications exhibition in Geneva, explained that IBM wanted to combine its knowledge of computing and network management with telecommunications companies' understanding of public switching and telephone services.

He coupled this statement with announcements of two such agreements - with Siemens of West Germany and Bell Atlantic of the US - to develop new types of services over the telephone. This will include credit card validation, freephone services and business networks, which reduce companies' costs by imitating aspects of private lease lines.

Other recently concluded IBM alliances have been a similar deal with Ericsson of Sweden, an agreement with Stet of Italy on computer-integrated manufacturing, and co-operation with a group of French financial institutions on value-added services.

Baker in deficit talks as pressure on US grows

Continued from Page 1

sions be undertaken with the bipartisan leadership of the Congress for that purpose," Mr Reagan said, reading from a prepared statement.

The White House move to drop its opposition to negotiating with Congress on the budget seemed designed to be part of the evolving strategy aimed at calming the financial markets. But White House advisers, conscious that the President is being portrayed increasingly as a "lame duck" who has lost his political influence, are also clearly anxious to present Mr Reagan as acting "presidentially" and taking a leading role in tackling the crisis of confidence on Wall Street.

Mr Fitzwater said the President would tonight hold his first formal nationally televised press conference in Washington since March. He last held a press conference at the Venice Summit in June.

However, on Capitol Hill yesterday budget experts remained in doubt about the precise implications of Mr Reagan's decision to authorise budget talks with Congress.

Democrats on Capitol Hill have been strongly urging the President to accept about $12bn of tax increases as part of a the $23bn budget deficit reduction package mandated by the recently reformed Gramm-Rudman-Hollings budget reform law.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	20	68	Malta	S	24	75	Rhodes	S	22	72
Algiers	F	24	75	Edinburgh	C	13	55	Manchester	F	13	55	Rio de J'o	S	25	77
Amsterdam	S	15	59	Faro	C	17	63	Manila	C	34	93	Rome	F	22	72
Athens	F	21	70	Florence	S	18	64	Melbourne	F	17	63	Salzburg	C	9	48
Bahrain	S	34	93	Frankfurt	C	12	54	Mexico City	C	26	79	San Francisco	C	16	60
Bangkok	S	33	91	Funchal	F	21	70	Miami	S	28	83	Seoul	C	11	52
Barcelona	F	19	66	Geneva	C	13	55	Milan	C	14	57	Singapore	S	32	90
Beirut	S	25	77	Gibraltar	F	18	64	Montreal	R	14	57	Stockholm	C	8	46
Belfast	R	9	48	Glasgow	R	12	54	Moscow	S	3	37	Strasbourg	C	13	55
Belgrade	C	16	61	Guernsey	C	11	52	Munich	C	10	50	Sydney	C	11	52
Berlin	S	11	52	Helsinki	C	4	39	Nairobi	F	28	82	Taipei	S	30	86
Biarritz	R	16	61	H. Kong	C	27	81	Naples	F	24	75	Tangier	F	20	68
Bombay	-	-	-	Innsbruck	F	15	59	Nassau	C	31	87	Tel Aviv	S	25	79
Bordeaux	F	14	57	Inverness	C	12	54	New Delhi	S	29	85	Tenerife	S	25	77
Brussels	F	15	59	Islamabad	S	28	82	New York	S	19	67	Tokyo	S	22	72
Budapest	C	14	57	Istanbul	F	16	61	Nice	S	23	73	Toronto	S	9	48
B. Aires	C	27	80	Jakarta	C	30	86	Nicosia	S	28	82	Tunis	S	27	81
Cairo	S	27	81	Jersey	C	11	52	Oporto	R	12	54	Valencia	F	20	68
Cape Town	-	-	-	Jo'burg	S	24	75	Oslo	C	10	50	Venice	C	11	52
Caracas	S	26	79	Lima	R	21	71	Paris	F	14	57	Vienna	C	11	52
Casablanca	C	20	68	Lisbon	F	14	57	Peking	-	-	-	Warsaw	S	13	55
Chicago	C	13	55	London	F	14	57	Prague	C	11	52	Washington	-	-	-
Cologne	C	15	59	Los Angeles	S	20	68	Reykjavik	C	3	37	Zurich	F	16	61
Copenhagen	S	11	52	Luxembourg	C	13	55								
Corfu	F	22	72	Madrid	F	10	50								
Dallas	-	-	-	Majorca	F	23	73								
Dublin	R	6	43	Malaga	F	20	68								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Tokyo, Europe confident

Continued from Page 1

leaguered investors of an adequate supply of money.

The bank bought Y200bn of short-term bills in the money market and Y50bn of long-term bonds. The yield on the 89th issue government bond fell 0.130 per cent to 5.580 per cent.

The market in Hong Kong remained closed, although brokers said that grey-market share trading was at prices 20 to 25 per cent below Monday's close. Singapore was closed for a public holiday.

Australian investors declined to push the market into recovery and shares moved only marginally ahead, with industrial issues advancing, but with the broader market held back by declines in gold and mining shares.

Johannesburg followed a similar pattern to Australia, with the market held back by weak gold shares.

Markets across Europe delayed opening times and prices across the boards surged ahead in Frankfurt, Zurich, Brussels, Paris, Amsterdam, Milan, Stockholm, Helsinki and Oslo.

Only Madrid bucked the trend, with the general index falling off 4.92 points to 280.24.

Prices in Paris had recovered strongly by the end of the day.

FINANCIAL TIMES
Thursday October 22 1987

BOOST FOR INDUSTRY BASED ON ALLIANCES

IBM unveils telecom strategy

BY DAVID THOMAS IN GENEVA

INTERNATIONAL Business Machines, the world's largest computer company, yesterday set out the strategy to boost its telecommunications business based on alliances with other companies in the industry.

IBM, which has recently been under pressure in its core computing business, is putting greater stress on telecommunications because it believes the long talked about convergence with computing is now beginning to happen.

Mr Michael Armstrong, president of IBM Europe, said: "We are increasing our involvement in the telecoms business through alliances with other suppliers in the industry."

Mr Armstrong, making an unusually detailed statement of IBM policy at an international telecommunications exhibition in Geneva, explained that IBM wanted to combine its knowledge of computing and network management with telecommunications companies' understanding of public switching and telephone services.

He coupled this statement with announcements of two such agreements – with Siemens of West Germany and Bell Atlantic of the US – to develop new types of services over the telephone. This will include credit card validation, freephone services and business networks, which reduce companies' costs by imitating aspects of private lease lines.

Other recently concluded IBM alliances have been a similar deal with Ericsson of Sweden, an agreement with Stet of Italy on computer-integrated manufacturing, and co-operation with a group of French financial institutions on value-added services.

These relationships are non-exclusive, but Mr Armstrong stressed that the development agreement could lead to joint commercial exploitation of the products.

He also killed speculation in the industry by stating that IBM had no intention of manufacturing transmission equipment or public exchanges.

IBM is basing its push into the European telecommunications market partly on the private digital exchange developed by Rolm, its telecommunications equipment subsidiary, which it unveiled earlier this month.

He also welcomed steps throughout Europe towards the deregulation of telecommunications but warned that charges for leased *lines should be brought into line* with costs because they varied greatly throughout Europe and added that telephone administrations must not be allowed to cross-subsidise their competitive services from their core networks.

Enichem and Dow in joint venture

By John Wyles in Rome

ENICHEM, the Italian state chemical company, and Dow Chemical Europe are to build a jointly owned plant in Italy for the manufacture of advanced epoxy resins.

The joint venture marks a further stage in Enichem's strategy of *building alliances with foreign* producers to cover its areas of technological weakness. Dow Chemical is regarded in Rome as a major prize because it stands number two to Shell in the world league table of producers of advanced resins.

The US multinational, for its part, will be able to exploit Enichem's solid position in its domestic market to increase the penetration of its resins. These are employed in many high-technology applications ranging from electronics to space equipment.

Neither side is yet releasing details of the size of their investment, nor of the capitalistion of the holding company which they have agreed to set up. The accord has been established by letter of intent, and it is not known when it will be put into operation.

It is the latest in a series of new ventures put together by Enichem which include two agreements with Arco Chemical covering the production and marketing of thermoplastics in the US and of tecnoresins in Europe.

A joint venture is also being set up with Du Pont for the supply of polyethylene conductors to the gas industry and another with Baker Perkins Chemical Machinery for producing films in linear polyethylene.

Morgan Stanley doubles quarterly net earnings

BY JAMES BUCHAN IN NEW YORK

MORGAN STANLEY, the blue-chip Wall Street investment firm, yesterday reported a doubling of net income in the three months to September and said that it had ridden the turmoil in the stock market without serious mishap.

At the same time, American Express, the financial services group which reported a small decline in *third-quarter earnings, said that its* Shearson Lehman subsidiary was well-equipped for turbulent markets.

Morgan Stanley reported earnings of $72.9m, or $2.82 a share, in the September quarter, against $39.5m, or $1.57, in the same period of 1986. Revenues net of interest expense were $502.9m compared with $329.7m.

Morgan Stanley said that its revenues from trading on its own account rose to $130.2m from $91.3m, despite the fall in fixed-income markets during the quarter.

In the current quarter, "our whole worldwide system and risk controls have performed exceptionally well *during the equity market turbulence,"* Morgan Stanley said. "The company is in excellent shape from a business and financial point of view."

In the nine months, Morgan Stanley reported net income of $199.6m, or $7.83 a share, on revenues of $1.42bn. The comparable 1986 figures were $143.0m and $5.11 a share in net profits and $1.03bn in revenues.

American Express reported third-quarter net income of $264.9m, or 60 cents, against $292.9m, or 66 cents. Revenues were $3.95bn against $3.55bn.

The group was held back by its smaller share of earnings from Shearson after this year's sale of a minority interest in the firm.

But the group said that Shearson's "unique business mix with its diverse revenue streams, together with its strong capitalisation, will be positive factors in these times of unprecedented market turbulence."

Nortel shows 11% advance on growth in switching

BY DAVID OWEN IN TORONTO

NORTHERN TELECOM, the world's largest supplier of fully digital telecommunications systems which this month bought 27.8 per cent *of Britain's STC, reported an* 11 per cent increase in third-quarter earnings on the back of continued strong growth in central office switching.

Net income applicable to common shares totalled US$66m, or 28 cents a share, in the period ended September 30, compared with $59m, or 25 cents, in 1986. Revenues climbed to $1.16bn in the latest quarter, up from $1.03bn a year ago. Per-share earnings have been adjusted to reflect a two-for-one stock split in May 1987.

Nine months' earnings rose 20 *per cent to $193m*, or 82 cents a share, on revenues of $3.55bn, from $161m, or 69 cents, on revenues of $3.07bn a year earlier.

In addition to the growth in central office switching, the Toronto-based company which is 52.3 per cent-owned by Bell Canada Enterprises, also benefited from increased transmission and cable and outside plant revenues.

Integrated business systems and terminals revenues were, however, below 1986 levels.

While US and Canadian sales continued to rise, international *revenues trailed year-ago figures,* the company said.

Mr Edmund Fitzgerald, chairman and chief executive, said that the latest results reflected ongoing programmes to enhance the strength of the corporation's product lines. "We expect Northern Telecom's fourth-quarter earnings to exceed the comparable year-ago level, because of continuing inprovement in gross profit margins," he added.

ITT lifted by strong casualty business

By Our Financial Staff

ITT, the US financial, industrial and travel conglomerate, announced a 70 per cent increase in earnings for the third quarter with net income rising to $210m, or $1.39 a share, compared with $126m, or 82 cents, in 1986.

In the nine months to end-September, net income climbed to $637m, or $4.19, from $392m, or $2.57, last year.

Sales and revenues, including finance and insurance, rose 11 per cent to $4.8bn in the quarter, from a *restated $4.3bn in 1986. Nine-month* sales were $14.3bn, a rise of 13 per cent over $12.7bn in 1986.

Diversified services gained ground, largely due to strong domestic casualty business in the Hartford operations. The life insurance division also benefited from tax reforms, helping to offset negative impacts in group medical results.

Included in net income in the *1987 quarters* was a loss of $16.2m, or 11 cents a share, for reserves set aside to phase out or dispose of several investments. The 1986 third-quarter results reflected a deduction of $19.5m, or 13 cents, for similar items.

Amoco bounces back with $116m third-quarter profit

BY OUR FINANCIAL STAFF

AMOCO, the leading US oil group, reported a turnround in the third quarter, registering earnings of $116m against a $32m loss in the corresponding period last year.

Net operating income came to $412m, or $1.60 a share, compared with $174m, or 68 cents. Revenues climbed to $5.72bn from $4.48bn.

Amoco said the results had been boosted by its US exploration and production operations and reflected higher crude oil prices and reduced exploration costs. Higher liquids production and savings from cost control efforts were also a factor.

Amoco said its foreign operations had earned $114m, up from $38m a year ago. In chemical operations, Amoco reported earnings of $113m, up from $63m.

Third-quarter worldwide net crude oil and natural gas liquids production averaged 793,000 barrels a day, against 790,000 b/d last time.

The 1986 quarter's earnings exclude a special one-time charge of $162m for impairment of unproved properties. This left final net earnings at $13m, or 5 cents.

Earlier this month Amoco announced plans for a £88m ($145m) investment programme in the southern gas basin of the North Sea.

The investment, which will increase the reserves of the large *Leman and Indefatigable gas fields,* is expected to create several hundred jobs in the offshore industry during 1988 and 1989.

The gas discovery was one of a series of gas finds made recently in the area.

Mr Alfred DeCrane, Texaco chairman, said the recent massive stock market correction could affect any out-of-court settlement of the company's $10.3bn legal dispute with Pennzoil.

However, Mr DeCrane declined to say whether the two companies were holding any settlement negotiations. He said he expected the Texas State Supreme Court to overturn a State Appeals Court ruling which found that Texaco unlawfully *interfered with Pennzoil's 1984 plan* to acquire Getty Oil.

Xerox books advance of 20%

BY OUR FINANCIAL STAFF

XEROX, the diversified US producer of copying and duplicating machines, yesterday posted a 20 per cent rise in third-quarter net income to $134m, or $1.23 a share.

For the comparable period last year the figures were $112m, or $1.03. Net income in the nine-month period increased by 12 per cent to $423m, or $3.92, from $377m, or $3.51, a year earlier. Nine-month revenues advanced 16 per cent to $10.7bn from $9.2bn in 1986.

Net for the first nine months of 1986 included a one-time $42m gain relating to the adoption of Financial Accounting Standards Board opinions on accounting for pension costs.

Mr David T. Kearns, chairman and chief executive, said he was pleased with the results. "We sustained the momentum of the first two quarters through a combination of good revenue growth and aggressive cost controls in business products and systems and continued strength in financial services. We remain on track for a good year."

Revenues from business products and systems increased by 11 per cent in the quarter to $2.6bn from $2.3bn in 1986. Income from this sector rose 10 per cent in the quarter to $65m from $59m a year ago.

Xerox Financial Services, the financial services arm, contributed $69m to third-quarter income, 31 per cent more than 1986. This reflected the strong performance by Crum and Forster, the company's insurance subsidiary, and Xerox Credit.

UBS reports brisk rise in business

By William Dullforce in Geneva

UNION BANK of Switzerland yesterday reported a brisk rise in business in the third quarter. Without stating profits, it predicted a "favourable" result for 1987 as a whole.

Last year Switzerland's biggest bank posted a 12 per cent rise in net earnings to SFr776m ($517m).

There was a renewed business upswing in recent months, UBS said, following a slight slowdown in the first half.

Pressure on margins and slow growth in volume continued to characterise interest operations in the third quarter, but in non-credit business income from securities showed the largest year-on-year increase.

During the nine months total assets rose by SFr8.4bn, or 5.5 per cent, to SFr160.6bn. Of this increase SFr3.8bn came during the third quarter.

Alcan Aluminium surges ahead in third quarter

BY OUR MONTREAL CORRESPONDENT

STRONG DEMAND for ingot and fabricated products in addition to *higher world prices brought a doubling* in earnings for Alcan Aluminium, Canada's largest aluminium producer, in the third quarter.

The company reported net profits of US$122m, or 72 cents a share, up from $62m, or 36 cents, a year earlier, on revenues of $1.72bn against $1.48bn.

In the first nine months of 1987, Alcan earned $297m, or $1.71 a share, against $211m, or $1.28, a year earlier. Revenues stood at $4.9bn against $4.47bn.

Alcan said that the rise in demand covered nearly all its markets in North America, Europe, Latin America and Asia. Efforts to cut overheads during the past two years had also helped.

Shipments of aluminium in all forms totalled 1.6m tonnes in the first nine months, up from 1.59m tonnes a year earlier. Average prices received for ingot and fabricated products were up substantially from a year earlier.

The company said North American earnings were substantially higher in both the third quarter and nine months while European operations were affected slightly by the seasonal second-quarter slowdown. The Pacific region's performance improved significantly while Brazilian operations were little changed.

Dispute with Jamaica to go to court

By Canute James in Kingston

A DISPUTE between the Jamaican Government and Alcan over production levels at the company's bauxite refineries in the island is to go before law lords next month.

Lord Crosskill will be the sole arbitrator in deciding whether the terms of a joint-venture mining agreement between the company and the Government give the Government the right to require the company to operate its refineries at optimum capacity.

Lord Crosskill is also to decide whether output by Alcan in excess of the company's needs should be sold to the Government at production cost.

NORTH AMERICAN QUARTERLY RESULTS

ALEXANDER'S
Department stores

	1987 $	1986 $
Fourth quarter		
Revenues	108.1m	109.2m
Net income	*613000	846,000
Net per share	*0.16	0.19
Year		
Revenues	522.9m	520.1m
Net income	1.3m	4.1m
Net per share	0.27	0.91

*Loss

AMERICAN PRESIDENT COMPANIES
Shipping

	1987 $	1986 $
Third quarter		
Revenues	456.0m	354.2m
Net income	24.9m	13m
Net per share	2.09	0.55
Nine months		
Revenues	1.34bn	1.05bn
Net income	64.9m	7.8m
Net per share	2.83	0.30

ARCHER-DANIELS-MIDLAND
Soyabean processing, milling

	1987 $	1986 $
First quarter		
Net income	82.9m	64.9m
Net per share	0.48	0.38

BANK OF NEW ENGLAND
Banking

	1987 $	1986 $
Third quarter		
Net income	62.1m	57.3m
Net per share	0.91	0.86
Nine months		
Net income	127.4m	154.8m
Net per share	1.86	2.34

BARNETT BANKS
Banking

	1987 $	1986 $
Third quarter		
Assets	22.5bn	29.4bn
Net income	51.4m	44.7m
Net per share	0.85	0.75
Nine months		
Net income	146.6m	130.4m
Net per share	2.44	2.21

BAUSCH & LOMB
Eyecare products

	1987 $	1986 $
Third quarter		
Revenues	228.9m	190.1m
Net income	25.3m	20.7m
Net per share	0.83	0.69
Nine months		
Revenues	629.7m	514.1m
Net income	60.1m	52.6m
Net per share	1.97	1.74

BURLINGTON NORTHERN
Railroads, resources

	1987 $	1986 $
Third quarter		
Revenues	1.68bn	1.69bn
Net income	127m	100.3m
Net per share	1.70	1.25
Nine month		
Revenues	4.91bn	4.65bn
Net income	270.7m	*936.8m
Net per share	3.62	*13.02

*Loss

CARTER HAWLEY HALE STORES
Retailing

	1987 $	1986 $
Second quarter		
Revenues	594.5m	661.2m
Op net income	*115.0m	8.11m
Op net per sh	*6.04	0.03
Six months		
Revenues	1.16bn	1.29bn
Op net income	*107.3m	13.0m
Op net per sh	*6.06	*0.10

*Loss

CB&T BANKSHARES
Banking

	1987 $	1986 $
Third quarter		
Net income	7.0m	5.2m
Net per share	0.36	0.27
Nine months		
Net income	17.7m	14.9m
Net per share	0.90	0.77

CHAMPION SPARK PLUG
Spark plugs

	1987 $	1986 $
Third quarter		
Revenues	226.7m	219.4m
Net income	4.70m	*14.8m
Net per share	0.12	0.39
Nine months		
Revenues	737.7m	653.7m
Net income	19.3m	*18.7m
Net per share	0.50	*0.49

*Loss

COLT INDUSTRIES
Aerospace, automotive prods.

	1987 $	1986 $
Third quarter		
Revenues	384.2m	386.8m
Net income	35.7m	24.5m
Net per share	0.97	0.15
Nine months		
Revenues	1.22bn	1.2bn
Net income	60.2m	79.9m
Net per share	1.71	0.48

COMMUNICATIONS SATELLITE
Satellite communications

	1987 $	1986 $
Third quarter		
Revenues	82.6m	72.0m
Net income	24.0m	9.8m
Net per share	1.31	0.54
Nine months		
Revenues	251.5m	226.4m
Net income	*51.5m	37.8m
Net per share	*2.80	2.06

*Loss

DANA
Vehicle parts

	1987 $	1986 $
Third quarter		
Revenues	1bn	889m
Net income	38.1m	12.2m
Net per share	0.86	0.24
Nine months		
Revenues	3.1bn	2.8bn
Net income	11.6m	85.8m
Net per share	2.50	1.64

DESOTO
Coatings, specialty products

	1987 $	1986 $
Third quarter		
Revenues	99.2m	107.7m
Net income	1.8m	*3.8m
Net per share	0.47	*0.80
Nine months		
Revenues	308.2m	336m
Net income	10.8m	3.5m
Net per share	2.74	0.73

*Loss

E-SYSTEMS
Military, commercial electronics

	1987 $	1986 $
Third quarter		
Revenues	302.9m	283.8m
Net income	15.8m	16.4m
Net per share	0.51	0.53
Nine months		
Revenues	911.7m	834.1m
Net income	42.7m	46.7m
Net per share	1.38	1.52

FRUEHAUF
Truck trailers

	1987 $	1986 $
Third quarter		
Revenues	647.2m	579.1m
Net income	*7.85m	6.35m
Net per share	*1.24	n/a
Nine months		
Revenues	1.91bn	1.74bn
Net income	*25.2m	18.7m
Net per share	*4.11	n/a

*Loss

GILLETTE
Toiletries, cosmetics

	1987 $	1986 $
Third quarter		
Revenues	776.7m	694m
Net income	58.6m	48.3m
Net per share	0.51	0.37
Nine months		
Revenues	2.3bn	2.03bn
Net income	171.6m	140.1m
Net per share	1.49	1.10

Continued on Page 45

INTL. COMPANIES & FINANCE

Restructuring at Boliden assists return to black

BY SARA WEBB IN STOCKHOLM

BOLIDEN, the Swedish mining, metals and chemicals group, reported an about-turn in interim profits and said that profits (after financial items) for 1987 would reach about SKr400m ($62.8m).

Profits (after financial items) for the first eight months reached SKr286m, compared with losses of SKr987m in the first nine months of 1986. Boliden has changed its interim reports from three-month to four-month figures.

Group sales totalled SKr8.487bn in the first eight months, but were SKr7.27bn in the first nine months last year.

Boliden's recovery is due to the restructuring measures taken under new management. The group has been organised into five main business areas - mining and metals, chemicals, wholesale, contract work, and trading and industry.

Costs associated with restructuring have fallen to SKr70m, compared with SKr779m last year, but this year the group will have to bear costs of about SKr100m in connection with its Roennskaer smelter which has been ordered to reduce sulphur dioxide emission.

Results have been boosted by extraordinary items of SKr1.1bn, for example from the sale of property and shares, compared with SKr557m

The mining and metal division has been positively affected by the increase in non-ferrous metal prices during the summer months, though the increase in Swedish kronor terms has been affected by the weaker dollar.

Copper and silver prices showed a strong increase in prices, but zinc prices were less favourable due to the over-production of zinc in Europe.

The chemicals division, which specialises in inorganic chemicals for the agricultural, cleaning and pulp and paper sectors, showed an improvement in results.

Boliden's wholesale division has shown an improvement in productivity.

Sharp rise in Allegis earnings

BY OUR FINANCIAL STAFF

ALLEGIS, the US airline and hotels group which is reversing its former policy of building a full-service travel company, yesterday posted a sharp rise in third-quarter net operating earnings, to $77.6m or $1.33 a share from $30m or 66 cents, helped by a strong performance at United Airlines.

Chicago-based Allegis said net earnings at the airline rose 77 per cent in the quarter, despite a 15 per cent increase in operating expenses.

The airline's third-quarter net income rose to $84m from $48m last year. A 38 per cent increase in fuel costs was the largest factor in higher expenses.

Allegis' Hilton International, Hertz and Westin Hotels units, which are being divested under a restructuring programme, are included as discontinued operations.

United Airlines, which generated 77 per cent of revenues but just 18 per cent of profits for Allegis last year, is being retained.

Revenues in the quarter rose to $2.26bn from $1.96bn. For the nine months, operating net profits were $76.2m or $1.38 a share, against a loss of $90m or $2.07 a share. Revenues were up at $6.19bn against $5.26bn

Latest earnings exclude gains from discontinued operations of $4.7m or eight cents a share against $79.8m or $1.77 in the quarter, and $48.9m or 88 cents a share against $115.2m or $2.64 for the nine months.

Exchange factors hold back Abitibi

BY ROBERT GIBBENS IN MONTREAL

ABITIBI-PRICE, Canada's largest newsprint producer, had a strong third quarter with higher product prices but, because most of its sales are in the US, exchange factors limited the gain in earnings.

Third-quarter profit was C$33m (US$25m) or 46 cents a share, against C$31.1m or 42 cents, on revenues of C$750m against C$716m. The Canadian dollar strengthened considerably in the third quarter.

Nine-month net profit was C$91.1m or C$1.23 a share, against C$81.3m or C$1.11 a year earlier, on revenues of C$2.2bn against C$2.1bn.

●Amca International, the heavy equipment and machine tool subsidiary of Canadian Pacific, plans to sell its Bomag construction machinery division to a European group including the managers of Bomag's West German division.

Amca is trying to find a buyer for its Manitoba Rolling Mills division in Selkirk, Manitoba, and another subsidiary in the US is on the block. Amca expects to realise about US$100m from these disposals, mainly from Bomag, in the fourth quarter. The proceeds will be used to reduce its heavy debt.

Bomag, which had sales of US$200m last year, makes equipment mainly for road-building.

Amca, a star performer in CP's diversification in the late 1970s, has never fully recovered from the 1982-1983 recession. One of its main activities is making equipment for the offshore oil industry.

In the first nine months of 1987 it posted a loss of US$9.4m on revenues of US$900m, against a loss of US$49.8m on revenues of US$838m a year earlier.

●A court order has released GEAC Computer, Canada's only mainframe computer maker, from receivership. About 600 unsecured creditors have accepted a package of shares and cash, and if a turnround in the business continues they stand to get full payment.

Management has been strengthened and GEAC's international order book for specialised financial industry and library computer systems is improving.

●Domtar, the pulp and paper, building materials and chemicals group, earned C$123m or C$1.32 a share in the first nine months, against C$96m or C$1.06 a year earlier.

Tractebel cancels BFr5bn rights offer

By William Dawkins in Brussels

TRACTEBEL, the Belgian holding group with large energy, electronics, telecommunications and engineering interests, has cancelled plans for a BFr5bn ($132m) rights issue.

Subscriptions were to have opened yesterday for the issue of 820,316 new shares, but the group postponed the offering indefinitely in spite of a slight recovery in Belgian share prices from the spectacular collapse of a day earlier.

The group said its financial advisers had suggested a cancellation because of the market's continuing vulnerability and the uncertain political situation following King Baudouin's acceptance of the resignation of the Prime Minister, Mr Wilfried Martens.

Tractebel shares opened yesterday at BFr6,250, well below the BFr6,650 fixed for the rights issue, but were gaining during the afternoon.

The company said an issue date would be fixed and shareholders told "as soon as possible."

The world stock market downturn could leave Tractebel with a big loss on its hands in the shape of Contibel, the UK-based integrated oil group, for which it and Groupe Bruxelles Lambert paid £448m ($739m) in July.

Contibel has the bulk of its assets invested in Belgian utilities and a 7.2 per cent stake in Petrofina, the oil exploration group. Tractebel was forced to increase its offer by more than £50m from the original £395m.

Income soars at Air Malta

AIR MALTA pre-tax profits soared to ML3.56m ($10.3m) last year, the highest in the company's 11-year history, spurred by a recovery in Malta's tourist industry, writes Godfrey Grima in Valletta.

The national carrier has for some years been battling to cut costs while expanding - three Boeings and an Airbus A320, costing $100m, are due to bring the fleet to nine aircraft by 1990. Mr Albert Mizzi, chairman, said an increase of more than 50 per cent in charter operations last year aided profits.

DnC shrugs off slow start to post $45m eight-month profit

BY KAREN FOSSLI

DEN NORSKE Creditbank (DnC), Norway's largest bank, gained momentum by the end of the eight-month period after a slow start earlier in the year and recorded net profits of NKr300m ($45.4m), against NKr203m in the same period last year.

Total assets for the group increased by NKr4.95bn during the period to NKr24.4bn, 22.7 per cent higher than the 1986 period.

DnC says that the need for continued write-offs in the shipping and offshore sectors has been substantially reduced. The situation for domestic industry is significantly different, however, and substantial write-offs will be necessary.

Although the operating profit for the period fell to NKr875m from NKr986m, this was offset by a reduced need for loan-loss provisions.

The bank says developments for its banking units abroad vary. "The sharp increase in the US interest rate has resulted in losses in the foreign exchange and securities sectors for some of the units, and the results are not satisfactory.".

For DnC Norway, gross earnings have been maintained at a "satisfactory level" although the interest margin has remained low.

Increased interest expenses have not been offset by a corresponding increase in the interest on loans. Net interest income was further reduced from 2.94 per cent of average total assets last year, to 2.4 per cent.

However, operating expenses for the Norway unit were reduced from 3.29 per cent of average total assets in 1986 to 3.02 per cent.

Alfa-Laval plans sale of fish-feed subsidiary

BY OUR STOCKHOLM STAFF

ALFA-LAVAL, the Swedish dairy equipment and process engineering group, plans to sell EWOS, its fish-feed subsidiary, to Finnish Sugar by the end of this year. Negotiations are under way.

EWOS has annual sales of SKr540m ($84.7m), employs 390 and is profitable - though figures have not been released.

Although Alfa-Laval has recently pursued a steady acquisition policy in an attempt to concentrate its business areas, it has decided to sell EWOS as the company does not fit in with agricultural operations as originally expected.

Besides its fish-feed side, EWOS is also involved in the animal-health business and manufactures fish-breeding equipment. Its main markets are Sweden, Norway and Scotland, and it has started a joint venture in Iceland.

It is the Swedish market leader in the fish-feed business, with more than a 50 per cent share. Finnish Sugar is the main fish-feed producer in Finland and EWOS' main competitor in that market.

Norsk Hydro issue hitch

NORSK HYDRO, Norway's biggest diversified corporation, said it might postpone a planned NKr3bn-3.5bn ($528m) rights issue following recent volatility in world securities markets, Reuter reports from Oslo.

Hydro added it would withhold its third-quarter results, scheduled for today, until next month, after it had prepared a balance sheet required by the US Securities & Exchange Commission in connection with the issue in New York.

The company said: "We definitely have no plans to shelve the issue, but we might have to reconsider the launch date if the markets fall further.

"We will hold an extraordinary general meeting on November 5, giving the board authority to go ahead with the issue."

Hydro, which is 51 per cent state-owned, said last week that it provisionally planned to launch the issue, Scandinavia's biggest ever, on November 27.

INTERNATIONAL CAPITAL MARKETS

Prices end mixed after a relatively calm day

BY STEPHEN FIDLER AND ALEXANDER NICOLL

AFTER TWO days of violent gyrations, international bond markets were relatively calm yesterday.

The US Treasury bond market ended in Europe as much as ½ point down on its finish Tuesday, although it was still higher than at its close in New York that night.

Eurodollar bonds ended the day mixed in London, paring the modest gains of the morning in the afternoon. Trading activity picked up compared with Tuesday's session when the sector was virtually closed by sharp price swings.

However, a number of traders complained that even yesterday the liquidity of the Eurobond market was being impaired by houses which were not open for trading. One dealer estimated that only half to three-quarters of market makers were effectively trading yesterday afternoon.

This lower liquidity in Eurobonds, and the flight to quality resulting from the stock market collapse earlier in the week, had resulted in a widening of spreads between corporate and US government bonds. For example, a benchmark issue for the World Bank, the 9 per cent bond maturing in 1997, was bought last week at about 66 basis points over the equivalent US Treasury bond. This week, it was bid at 80 over.

Euroyen bonds closed between ⅜ and ¾ points better, benefiting from some demand from asset swaps. The one new issue was for Skopbank, the Finnish institution, for Y5bn, a 1992 maturity, and a coupon of 3 per cent for years one and two, and a 7.7 per cent coupon thereafter. It was priced at 100¾ and led by Mitusi Trust.

Japanese equity warrants moved sharply higher, helped by the more positive sentiment in equity markets. Rising 10 to

INTERNATIONAL BONDS

15 per cent in 45 minutes as Wall Street moved ahead yesterday afternoon, warrants for Japanese exporters finished the day up to 30 per cent higher.

Japanese convertibles, though, which are mainly concentrated in the financial sector, closed lower. The market closes too early for Wall Street's gains to have fed through into the market yesterday. Worries about the health of the financial institutions in current market conditions refused to lift.

In Switzerland, however, convertible issues by Japanese banks which had been particularly hard hit on Tuesday recovered sharply with Fuji Bank's SFr200m issue rising 14 points to 87. Sanwa Bank's SFr200m bond rose 8 points to 83.

Hokkai Can's $80m bonds-with-warrants issue was postponed by Daiwa Europe. The subscription period for a Thomsen Brandt SFr200m issue with equity warrants has been extended by five days to October 28. It has been quoted 11 points below issue price in the grey market.

In West Germany, domestic bond prices were mixed as prices of some older Federal lower-yielding bonds fell into line with recent higher-yielding ones. Price changes ranged from gains of ¾ points to losses of the same amount. The yield differential between Federal and supranational issues has narrowed to 4 or 5 basis points. D-Mark Eurobonds were steady to slightly higher, with the African Development Bank issue, carrying a 7 per cent coupon, rising a point to 98⅝ bid.

In France, there were further limit gains on the financial futures market and bond markets ended slightly firmer after a day of fluctuations. In the Ecu sector, prices ended ⅛ to ½ points firmer on scattered investor demand in active and nervous trading. Swiss straight bond prices recovered about ½ point. Kyushu Electric Power's SFr150m 5⅝ per cent seven-year issue, priced at par, was bid in the grey market at less 1½.

Launched late on Tuesday evening by Credit Suisse First Boston was a C$50m issue for DNC International Finance, with a 2 year maturity, 11¼ per cent coupon and 112.625 pricing, carrying warrants to buy US dollars against pounds.

Williams Holdings to raise £100m

BY ALEXANDER NICOLL

WILLIAMS HOLDINGS, a UK engineering concern, has mandated Barclays de Zoete Wedd to arrange a £100m multi-option facility, the latest in a string of British companies to arrange such funding.

The facility includes a five-year standby with a margin of 10 basis points above London interbank offered rates, and an underwriting fee of 6.25 basis points. There will be a utilisation fee of 2.5 basis points if the credit is more than a quarter drawn.

Separately, a US subsidiary of Petrofina is to have a $600m Eurocommercial paper programme with Citicorp Investment Bank, Morgan Guaranty and Swiss Bank Corporation International as dealers. The paper will be guaranteed by the Belgian parent.

Among other recently arranged programmes are two in sterling paper. Inchcape, the UK-based services and marketing group, has a £125m programme arranged by County NatWest with BZW and Midland Montagu as additional dealers.

De La Rue, the UK printing concern, has appointed BZW and Midland Montagu as dealers for a £50m programme.

Cassa di Risparmio di Firenze, an Italian savings bank, has arranged a $75m Eurocertificate of deposit programme with First Chicago, Midland Montagu and SG Warburg as dealers.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 21

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	91⅛	91⅞	+1⅛	+2⅛	9.95
All Nippon Air 9⅛ 97	100	89⅝	90⅛	+2⅛	-0⅛	11.09
American Brands 8⅞ 92	150	†95⅛	95⅝	+0⅛	+2⅛	10.09
A/S Eksportfinans 7⅞ 93	100	87⅞	88⅛	+0⅛	+1⅛	10.35
A/S Eksportfinans 7⅞ 92	150	89⅞	90⅛	+2⅛	+0⅛	10.20
Belgium 9⅛ 92	400	96⅛	96⅛	0	+1⅛	10.05
British Telecom 7⅞ 96	250	82	82⅛	+3⅛	+0⅛	10.84
British Telecom 8⅞ 94	150	†93⅛	94	+4⅛	+2⅛	10.18
Campbell Soup 10⅞ 95	100	101	101⅛	-0⅛	+1⅛	10.25
Canada 9 96	1000	91⅛	91⅞	+1⅛	-0⅛	10.59
Canadian Pac 10⅛ 93	100	99⅝	100⅛	-0⅛	-0⅛	10.72
C.C.C.E 7⅞ 91	115	†91⅛	92⅛	+0⅛	+1⅛	9.48
C.N.C.A 7⅞ 91	150	89⅝	90⅛	+1⅛	+0⅛	10.35
Coca-Cola Ent. 8⅛ 90	100	†97⅛	97⅝	-1	+1⅛	9.35
Credit Lyonnais 9 91	200	97⅛	98	+2⅛	+1⅛	9.78
Credit National 7⅞ 92	100	90⅛	90⅝	+2⅛	+0⅛	10.11
Credit National 7⅛ 91	150	90⅝	91⅛	+1⅛	+0⅛	9.99
Denmark 7⅛ 92	500	88⅝	89⅛	+1⅛	+0⅛	10.35
Denmark 8⅛ 91	300	†95⅛	96⅛	+0⅛	+2⅛	9.55
E.E.C 7 91	100	90⅝	91⅛	+2⅛	+1	9.74
E.E.C. 7⅛ 93	250	87⅞	88⅛	-0⅛	+1⅛	10.21
E.E.C 8⅛ 96	100	87⅞	87⅞	-0⅛	+2	10.50
E.I.B. 7⅞ 93	100	89⅝	89⅝	+2⅛	+2⅛	10.01
E.I.B. 9⅛ 97	150	92⅛	93⅛	-0⅛	+1⅛	10.83
Finland 7⅞ 97	200	83⅞	84⅛	+0⅛	+1⅛	10.68
Finland 7⅛ 93	200	87⅞	87⅞	+2⅛	+0⅛	10.44
Ford Motor Cred 11⅛ 90	100	†103	103⅛	+0⅛	+0⅛	9.49
Gen Elec Credit 10⅛ 00	200	*†100	100⅛	0	-0⅛	10.20
G.M.A.C. 8⅛ 89	200	†99⅛	99⅛	+1⅛	+0⅛	8.61
Hoesch 8⅛ 97	100	†86⅛	87	+3⅛	+2⅛	10.51
Hoesch 7⅞ 92	100	†93⅛	94⅛	+1⅛	+1⅛	9.06
Hoesch 7⅞ 94	300	†89⅝	90	+3⅛	+2⅛	10.10
Liberty Mutual 8½ 96	150	87⅛	87⅛	0	+0⅛	10.81
L.T.C.B of Japan 8 93	100	93	93½	+1⅛	+0⅛	10.21
L.T.C.B.of Japan 8 97	200	84⅛	85⅛	+1⅛	+2⅛	10.64
Mercds-Benz Cred 7½ 93	100	*†89⅞	89⅝	0	-0⅛	9.98
Mercds-Benz Cred 8⅛ 92	100	†96	96½	-0½	+1⅛	9.25
Mitsubishi fin. 7⅞ 93	100	87⅞	87⅞	+0⅛	+1⅛	10.74
Mutual America 7⅞ 92	100	†91½	92	+2⅛	+1⅛	10.10
Norway 7⅛ 91	500	90⅛	91⅛	+1⅛	-0⅛	10.19
Pepsico Inc 7⅞ 93	200	†87	87½	-1	+0⅛	10.49
Prudential Crp. 8⅛ 94	125	†93	93⅛	+4⅛	+2	10.16
Qantas Airways 10⅞ 95	140	†99⅛	100	+1	+2⅛	10.40
Republic of Italy 9 90	100	*†97⅛	97⅛	0	-0⅛	10.08
Saab Scania 9½ 91	125	†99⅞	100⅛	+0⅛	+1⅛	9.42
Saskatchewan 10⅛ 92	100	†103	103½	+0½	+2⅛	9.77
State Bk S Aust 9⅛ 93	100	†96	96½	+0⅛	+2⅛	10.17
Swedish Expt.Crd.7⅛ 91	100	90	90⅛	0	-0⅛	10.27
Swed Exp Cred 10 92	100	100⅛	101	+0⅛	+1⅛	9.76
Sweden 7 91	250	90⅝	91⅛	+1⅛	+0⅛	9.89
Sweden 7 92	250	†91	91½	+0⅞	+2⅛	9.55
Sweden 8⅛ 96	200	89⅝	90⅛	+3	+1	10.61
Sweden 8½ 92	200	†93⅞	94⅛	-1	+0½	10.15
Taiyo Finance 7⅞ 94	100	86⅛	86½	+0⅛	+1⅛	10.87
Toyota Motor Cred 8 89	100	†98	98½	+1⅛	+0½	9.12
Toyota Mtr.Cred.7⅛ 92	150	†90⅛	90⅝	+0⅛	+1⅛	9.94
Victorian Rep 11⅛ 92	150	†105½	106	+4⅛	+2⅛	9.95
World Bank 7 92	300	†87⅛	88⅛	+1	-1⅛	10.62
World Bank 9 97	300	91	91½	+0⅛	+2	10.46
Yasuda Trust Fin 8½ 93	100	91⅛	91⅝	0	+1	10.57

Average price change... On day +1⅛ on week +1

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Arab Banking 5½ 92	150	*†94⅛	95⅛	0	-0⅛	6.77
Avis Fin.SVS 5⅞ 92	100	*†98	98½	0	-0½	6.33
Bank of Greece 6½ 95	150	*†94⅞	95⅛	0	-0½	7.32
Bank of Tokyo 5⅛ 93	100	*†98½	99	0	-0½	6.02
BMW 5⅛ 96	200	*†86½	87½	0	-1½	7.35
Degussa Int. 6 1/8% 97	200	*†91⅛	92⅛	0	-0⅞	7.31
E.I.B 5½ 98	150	*†86½	87½	0	-0⅛	7.31
E.I.B 6 97	300	*†93½	94½	0	0	6.89
E.I.B. 6⅛ 96	300	*†93½	94½	0	-0½	7.06
E.I.B. 6⅛ 97	400	*†93	94	0	-0⅞	7.08
E.I.B. 6⅞ 95	300	*†100⅝	101⅝	0	+0⅛	6.69
Euro.Coal& Steel 5⅞ 97	175	*†91⅛	92⅛	0	0	7.03
Eurofima 6⅛ 96	100	*†95⅛	96⅛	0	0	6.83
Elec De France 5⅞ 97	300	*†89½	90½	0	-0⅛	7.22
Hoesch Int'l Fin.7 95	100	*†99½	100½	0	-0⅛	6.99
I.A.D.B. 6 97	200	*†91	92	0	-0½	7.25
IBJ 5⅛ 96	200	*†88⅛	89⅛	0	-1	7.36
Japan Finance 5⅛ 97	100	*†89⅛	90⅛	0	-0⅛	7.22
Ireland 6½ 97	300	*†94½	95	0	-0⅞	7.27
Korea Dev BK 6⅛ 93	100	*†98½	99½	0	0	6.83
Malaysia 6 - ⅛ 94	150	*†95⅛	95⅛	0	-0⅛	7.11
Mitsubishi Mer 3⅛ 89XW	100	*†94⅝	95⅝	0	-0⅛	5.57
Portugal 5⅛ 92	150	*†97	98	0	-0½	6.37
Portugal 6⅞ 95	150	*†98	99	0	+0⅛	6.87
Royal Insurance 5½ 92	300	*†99⅛	99⅞	0	-0½	5.62
Statoil 6⅛ 97	200	*†91½	92	0	-0⅛	7.49
Soc Cent Nuclear 7⅛ 95	150	*†100½	101½	0	-1⅛	7.07
Societe Cent Nuclear 8 91	100	*†104⅛	105⅛	0	0	6.50
Stevweg 5½ 96	100	*†92⅝	93⅝	0	-1⅛	6.57
Tokyo Elec. Power 6 97	300	*†90	90½	0	-1	7.48
World BK. 6⅛ 97	600	*†94½	94⅞	0	+0⅛	7.26

Average price change... On day 0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅛ 96	100	*†99⅞	99⅞	0	-0⅞	5.64
AMR Corpn. 5⅛ 01	200	†87½	88⅛	-0⅛	-0⅞	6.63
Asinag 5 02	150	†91⅛	92½	-1⅛	-2⅛	5.80
Bayer W/W 2½ 02	250	†101½	102	+6½	-6⅛	2.36
BBL W/W 2⅛ 97	100	†96	96⅛	+6	+3⅛	3.22
Elec.De.France 5 07	100	†97	97⅛	+1	-0½	5.24
E.I.B. 4⅛ 97	200	†93½	94⅛	0	-1	5.58
E.I.B 4⅞ 97	200	†96	96⅛	+3⅛	+2½	5.12
Enso Gutzeit 5 99	100	†95	95⅛	+2	—	5.81
Ireland 5 02	150	†90⅛	91⅛	-1⅞	-1⅛	5.93
Newfoundland 5⅛ 02	150	†100	100⅛	+0⅞	+0⅛	5.11
Polly Peck 6 92	75	†102½	102⅞	+1	-0⅛	5.29
Prov.of Manitoba 4⅛ 02	200	†95⅛	95½	+0⅛	+1	5.36
Prov. of Quebec 5 03	200	†91½	92	-4⅛	-4⅛	5.81
Qantas Airways 4⅛ 97	110	†90	90⅛	-1½	-1⅛	6.07
SHV Holdings 4⅛ 94	100	†99	99½	+0⅛	+0⅞	4.88
Tiroler 4⅞ 97	100	†95½	95⅛	+0⅛	-0⅛	5.33
TNT 5 95	100	†99	100	0	+0⅛	5.08
Woolwich B/S 4½ 92	120	†94	94⅛	+1	-⅛	5.92
World Bank 5 02	200	†91⅛	91⅞	+0⅛	-0⅛	5.87

Average price change... On day -1⅛ on week -1⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅞ 94	45	90½	91	+0⅛	+0⅛	6.35
E.I.B 4⅛ 94	40	90⅝	91⅛	+0⅛	0	6.32
Elec. De France 5⅛ 94	20	93⅛	93⅝	+0⅛	-0⅛	6.35
Kansai Electric 4⅞ 94	60	90½	90⅞	+0⅛	-0⅛	6.40
Norway 4⅛ 92	40	92⅝	93⅛	+0⅞	-0⅛	6.10
S.N.C.F. 4⅞ 93	20	93⅛	94	0	-0⅛	6.27
Sweden 5⅛ 95	20	95⅛	95⅛	+0⅛	-0⅛	6.36

Average price change... On day +0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14½ 90 A$	50	100⅞	101⅛	+0⅞	-1⅛	13.65
American Brand 9½ 94 £	50	†91⅞	92⅛	0	-2	11.26
American Express OC 10 94	40	†94⅛	95⅛	0	-2⅞	11.13
Bergen Bank 15 90 A$	50	†99⅝	100⅛	+0⅛	-1⅞	14.81
BP Capital 13⅞ 92 A$	75	101⅛	101⅝	+0⅞	-1⅛	13.30
Chrysler Crp 10 91 C$	75	97⅛	97⅞	+1⅛	+0⅞	10.05
C.O.E. 8⅞ 95 LF	600	*†103⅛	104⅛	0	-0⅛	8.13
Creditanstalt 14⅛ 90	40	†100⅝	101	+0⅛	-1⅛	13.67
Denmark 7⅛ 92 ECU	100	*97⅛	98⅛	0	-0⅛	8.35
DG Fin. Co. 13⅞ 90 A$	50	101⅛	101½	+0⅞	-1⅛	13.16
DG Fin. Co. 14 90 A$	75	†100⅞	101⅞	+0⅞	-2⅛	13.44
DG Finance 14⅛ 92 A$	50	†103	103½	+0⅛	-3	13.30
Deutsche Bank 9⅞ 97 £	75	†92⅛	93⅛	0	-2⅛	11.08
Deutsche Bk.14⅛ 92 A$	100	†102	102⅛	+0⅛	-2	13.47
Dresdner Fin.13⅞ 91 A$	100	†99⅝	100	+0⅛	-1⅛	13.89
E.I.B 7⅞ 91 ECU	100	*95⅛	96	0	-1½	8.66
E.I.B 8⅛ 93 LF	1000	*†102½	103⅛	0	-0½	7.89
Euratom 7⅞ 97 ECU	145	*94⅛	94⅞	0	-3⅛	9.98
Finland 6 91 FL	100	97⅛	97⅞	-0⅛	-0⅞	6.67
Ford.Mtr.Cred.13⅛ 91A$	75	†99⅞	100⅛	+0⅛	-1⅞	13.72
G.M.A.C. 9 92 £	50	†93⅞	94⅛	+0⅛	-1⅛	10.64
G.M.A.C. 9⅛ 92 C$	75	95⅛	96⅛	+1⅛	+0⅞	10.36
G.M.A.C Aus.Fin.14 90 A$	50	†99⅝	100	+0⅛	-2	14.03
Halifax BS 10⅞ 97 £	100	93⅛	94⅛	-2⅛	-3⅛	11.45
Helaba Fin. 13⅛ 96 A$	75	†100⅞	101⅛	+0⅞	-2	13.12
Imp Chem Inds 10 03 £	100	†95	95½	+2	+0⅛	10.90
Inv.In Ind.Intl 10 95 £	60	95	95½	+0⅛	-1⅛	11.17
Land Securities 9½ 07£	200	†79⅞	80⅛	-0⅛	-1⅛	12.21
Leeds B.S 10½ 91 £	50	97⅛	97⅞	+0⅛	-1⅞	11.57
Mort.Bk.Denmark 6 91 FL	150	97⅞	98⅛	-0⅛	-0⅞	6.40
Nat.Australia 14 92 A$	50	†99⅞	100⅛	+0⅞	-1⅞	0.14
Nationwide BS 10⅛ 93 £	75	†94⅛	95	0	-2	11.44
New Zealand 7⅛ 93 ECU	200	*91⅛	91⅞	0	-2⅞	9.87
Oesterr.Kthk.13⅞ 94 A$	75	†100⅞	100⅞	+0⅞	-1⅞	13.45
Prudential Fin.9⅞ 07 £	150	†85½	85⅞	+1½	-0½	11.24
Royal Ins 10⅛ 92 £	60	†99⅞	100⅛	-0⅛	-1⅛	10.69
Royal Trustco 10⅛ 90C$	75	†99⅝	100⅛	+1⅛	+1⅛	10.40
Sainsbury.J 10⅞ 93 £	60	†100⅛	100⅛	+0⅛	-0⅞	10.72
S.D.R. 7⅞ 95 ECU	90	*90⅛	91⅞	0	-1⅛	9.48
Tsthouse Forte 11⅛ 90£	50	†100½	101	-0⅛	-0⅛	10.69
Thyssen 7⅛ 90 FL	50	101½	101⅝	-0⅛	-0½	6.70
Wessanen 6⅛ 90 FL	50	100⅞	101⅞	-0⅛	-0⅞	6.32
World Bank 11⅛ 95 £	100	†102⅞	102⅞	+1⅛	-0⅛	10.70
World Bank 13⅞ 92 A$	100	†99⅛	100⅛	+0⅞	-1⅛	13.33

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	.0312	99.96	100.06	11/12	7.64
Alliance & Leic.Bld 94 £	.08	99.03	99.08	21/10	9.33
Belgium 91	0	99.65	99.74	19/02	7.19
Britannia 5 93 £	0⅛	99.52	99.57	8/01	10.37
Chase Manhattan Corp 91	0⅛	98.92	99.10	20/08	7.19
Citicorp 98	†0⅛	97.95	98.05	30/11	7.12
Credit Lyonnais 5 00	†0⅛	98.05	98.15	13/01	7⅛
EEC 3 92 DM	†0	99.63	99.73	22/02	4.31
Halifax BS £ 94	.1	99.32	99.38	6/11	9.41
Midland Bank 01 £	.1	96.84	96.94	11/11	10.35
Milk Mkt.Brd. 5 93£	0⅛	99.43	99.48	30/12	10.37
New Zealand 5 97 £	.07	99.36	99.46	18/11	10⅛
New Zealand 5 01	0	98.86	98.94	4/02	7⅛
Shearson Lehman Hlds 91	†0⅛	99.40	99.65	6/11	7⅛
United Kingdom 5 92	0	100.02	100.08	7/01	8.19
Woodside Fin. 5⅛ 97	0	99.52	99.62	28/10	7.06
Woolwich 5 95 £	0⅛	99.36	99.41	19/11	8.81

Average price change... On day +0.03 on week -0.06

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6⅛ 02	8/87	62.	88⅛	89⅛	-3½	49.14
Alco Health 6⅛ 01	7/86	26.25	81	82½	-0⅛	43.06
American Brands 7⅛ 02	†9/87	56.7	99	100	+0⅛	31.20
American Can Co. 5½ 02	4/87	66.75	74½	76½	-3	67.99
Ashikaga Bank 2⅛ 02	4/87	967.	97	98	-11	8.87
Asics 5 92 DM	*12/83	438.6	144	146	0	10.34
CBS. Inc. 5 02	4/87	200.	96	97½	-5⅛	24.24
Chiba Bank 2⅞ 02	1/87	790.5	162⅞	164⅞	-16⅛	4.74
Fuji Hvy Inds 3 00	8/85	676.	135	136½	-12⅞	4.15
Fujitsu 3 99	5/84	1106.	182	184	-7⅞	5.73
Gunma Bank 2⅛ 02	4/87	808.	118½	119½	-12½	6.98
MCA INC 5½ 02 US	9/87	69.62	76⅛	78⅛	-1⅛	45.37
Minolta Camera 2⅛ 94DM	*12/86	1004.	90	92	0	51.60
Mitsui trust 2⅞ 01	10/86	1903.	120	121⅛	-11½	2.75
Next PLC 5⅞ 03 £	11/87	4.3	100	102	+3⅛	48.73
Nippon Elec 2⅞ 00	1/85	1295.	282⅛	283⅞	-12	9.99
Oki Elec Ind 3½ 99	10/84	805.	160⅞	162⅞	-13	2.87
Omron Tateisi 2⅞ 02	4/87	1310.	132½	134	-8⅛	4.09
Redland 7⅛ 02 £	1/87	5.4	92½	94½	-2	7.65
Yokohama Bank of 2⅞ 01	10/86	1014.	152⅛	154⅛	-8⅛	7.58
W.R. Grace 6⅛ 02 US	9/87	84.25	85⅛	86⅛	+1⅞	63.95

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

France to reduce borrowing this year

By George Graham in Paris

MR EDOUARD BALLADUR, the French Finance Minister, plans to reduce government borrowing in the market for the rest of the year.

He has been concerned for some time at the high level of long-term real interest rates, both in France and across the Atlantic. The ministry will now make greater use of floating-rate borrowings, short-term Treasury bills and interest rate swaps, all with the aim of reducing longer-term French interest rates.

Total government borrowing this year was originally forecast at FFr120bn to FFr140bn, a target later lowered by FFr20bn. Mr Balladur said yesterday that government borrowing would now be limited to FFr90bn, thanks to tight budget management and to the greater than expected receipts from privatisations, which have been used mainly to retire state debt.

The package of measures he announced yesterday does not appear on its own to have satisfied bond dealers. Mr Andre Roquesalane, chief dealer at Banque Nationale de Paris, said: "FFr10bn more or less is not going to make the difference. The cold analysis is that the market is still in very bad shape."

But Mr Herve Hmas at Morgan said the moves went in the right direction. "The Government wants it understood that long-term rates are excessively high and that it is is not prepared to borrow whatever the rate."

Primary dealers were called into the French Treasury yesterday evening for a pep talk and for an explanation of the new measures.

The Treasury has completely overhauled its methods of government debt management over the past two years, moving towards an auction system, and the new measures represent a further technical advance.

It has already swapped two batches of fixed-rate bonds into floating-rate debt, working with Credit Lyonnais, the Caisse des Depots and Credit Agricole. France is believed to be the only government so far to have used the swap technique.

The Government began issuing tranches of a 12-year floating-rate bond earlier this year, indexed on the regular Treasury bill auctions, and this bond is now expected to be favoured.

The French bond market has suffered for a number of years from a slow drain of money into equities, but the Government has been anxious not to exacerbate this effect through its privatisation programme, which has further boosted the equity market.

State bond issues in January to August totalled FFr67.5bn, down 39 per cent from the same period of 1986. If state-owned institutions are also taken into account, total public sector borrowing of FFr95.9bn was down 36 per cent from the same period of 1986.

Over the same period, private sector bond issues increased fractionally to FFr109.9bn, while total new equity issues, barring the privatisations, rose 12 per cent to FFr110bn.

Eight-month results from Gota

By Our Stockholm Correspondent

GOTA, the Swedish banking and financial services group created at the end of last year, has reported profits before extraordinary items of SKr652m ($102.4m) for the first eight months of 1987.

Group income totalled SKr1.95bn, with interest accounting for SKr1.19bn. The new group includes investment and commercial banking, stockbroking, and property and leasing companies.

While no comparison with last year is possible for the group as a whole, comparable results for two of the banking subsidiaries are available: Gotabanken (in which Gota has an 82 per cent share) showed a 7 per cent increase in profits before extraordinary items at SKr353m, while Wermlandsbanken (in which Gota has a 67 per cent stake) reported a 24 per cent fall in profits to SKr113m.

Gota said that it has worked on structuring and organising the group so far this year and that it sees numerous possibilities for development in the future, both in terms of customers and for spreading the cost of computerisation.

Audiofina pays more

AUDIOFINA, the holding company with a controlling stake in Compagnie Luxembourgeoise de Telediffusion (CLT), is increasing its pre-tax dividend in 1987 to LFr140 per share from LFr120 in 1986, Reuter reports from Brussels.

Audiofina, which earns most of its income from CLT, bases its dividend on those paid out the previous year by CLT, the Luxembourg media group.

Stephen Fidler on the flight to safety from worldwide equities

Bond market euphoria abates

IF THE collapse of world stock markets this week marks the end of the cult of the equity, will it herald a new era for bonds?

The equity cult - the shorthand phrase to describe the effects of the five-year rally in world stock markets on both investors and users of capital - could be dead.

The funds which have been withdrawn from shares have to go somewhere, the argument runs; why not to the safety of the bond market, particularly if a recession is looming?

The theory which suggests tumbling share prices will be followed by recession, and consequently lower interest rates, has had an emotional appeal in the frenzied atmosphere of trading rooms in recent days, but also contains more than a grain of truth.

But is the prospect of economic downturn so much more likely this week than it was last, and can it realistically overwhelm investor worries about inflation, the bond market bogey for the last six months?

The drop on Wall Street certainly will have an impact on the real economy in the US. Lower share prices shrink American household wealth, which can be expected in turn to lead to lower consumer spending. Companies suspend investment, since the value of their assets has been reduced and raising share capital becomes more expensive.

This reduction in aggregate demand would, other things being equal, slow down growth and could even bring about recession. All this, of course, should be good for the bond market, partly because the prospects for a resurgence of demand-led inflation are lowered.

The problem for investors in US bonds is that it ignores the actions of governments and monetary authorities.

Liquidity source

Mr Alan Greenspan, chairman of the Federal Reserve, said on Tuesday the Fed would be ready "to serve as a source of liquidity to support the economic and financial system." This statement and generous supplies of reserves to the banking system helped to push interest rates down that day for US government paper with maturities from one week to 30 years.

Central banks have learnt the lessons of the 1929 Wall Street crash. The Fed will, if it can, prevent the risk of recession brought about by financial accident. Such short-term aid can generally be given by central banks without long-term inflationary consequences.

Yesterday, though, the bond market euphoria brought about by the Fed's words and actions abated somewhat and a more cautious view prevailed. The question for the bond market is whether the Fed and the other central banks around the world will overdo their efforts to thwart the longer-term prospects of recession. "The bond markets have to worry about whether the central banks are trading inflation for recession," said Mr Keith Skeoch, chief economist at UK stockbroker James Capel.

Another great issue is whether the dollar can sustain its current value without a rise in interest rates, this week's reaffirmation of the Louvre accord notwithstanding. If lower interest rates are needed to stave off recession in the US, will this not push the dollar lower? Foreign and in particular Japanese buyers could still feel that the risks of holding bonds in a vulnerable currency demands higher yields.

In recent months, and in the gyrations of earlier this week, the other major bond markets have shadowed the US Treasury market. One of the main questions is whether, or rather when, the non-US bond markets can disengage themselves from the American market. If the link is to be broken, as it will in time, analysts such as Mr Skeoch who are not positive about the prospects for US bonds see a better outlook for other markets, particularly France, the UK and West Germany.

Clearly, it is premature to suggest a complete rehabilitation of the bond markets by investors, although the pessimism about higher interest rates worldwide does now seem to have been as overdone as Tuesday's rally in bonds.

Many investors, which have been progressively cutting the proportion of bonds held in their portfolios, are likely to decide it is time to reverse that trend. Some US institutions, it is said, were doing this last week before the crash and must be feeling fairly satisfied with themselves.

Slower benefits

The benefits to the corporate bond markets will be slower and nobody is predicting that a flood of new issues will hit the Eurobond market. Corporate bonds are unlikely to be the number one stop for investors seeking refuge from shares.

There has been a flight to safety element in the shift of funds this week to the bond market, resulting in widening spreads between corporate and government bond issues. These will narrow only when the clouds of intense uncertainty currently covering financial markets are blown away.

Stockholm bourse chief moots Nordic SEs link

BY SARA WEBB IN STOCKHOLM

STOCK EXCHANGES in the Nordic region may link in the future to allow share trading to take place among the four countries, according to Mr Bengt Ryden, head of the Stockholm bourse.

He said that, as the exchanges in Sweden, Norway, Denmark and Finland had either decided or were close to agreeing to buy new technology for automated share trading, the potential to link up existed and would provide a first step towards globalisation.

However, he warned that the immediate barrier to such a link is the existing legislation in Sweden which prevents Swedish citizens from buying foreign shares without the permission of the Riksbank (the central bank).

Whether the link-up took place would be a political question, he said. The Government is reluctant to bring down the barriers, fearing a flood of Swedish currency out of the country.

A Finance Ministry official said that, while a joint Nordic exchange remained a technical possibility, a number of problems existed such as deciding in which country the cross-border transactions should take place, and standardising insider trading regulations so that conditions are homogenous within the Nordic region.

Altogether there are 643 companies listed on the Helsinki, Copenhagen, Oslo and Stockholm exchanges, but only 17 of these had a listing on another Nordic exchange last year.

Grey market venture for ex-Chemical Bank group

BY WILLIAM DULLFORCE IN GENEVA

A GROUP of Swiss securities traders who quit Chemical Bank's capital markets operation in Geneva last June is joining forces with American Express Bank (AEB) to exploit the grey market in Swiss bonds.

AEB announced yesterday that it would subscribe two-thirds of the SFr30m ($20m) share capital in Amtrade Partners. The other third would be owned by 15 partners formerly employed by Chemical Bank.

Amtrade will specialise in pre-market trading in bonds before the end of the public subscription period for issues.

Chemical Bank and Citicorp pioneered this grey market in Switzerland. It is allowed in Geneva but not in Zurich and is frowned on by the big three Swiss banks - Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse.

Six of Chemical Bank's traders resigned last June, when Mr Jean-Claude Birchler, their general manager, was dismissed after a dispute over management responsibilities.

They were later joined by nine other former Chemical Bank employees.

Mr Birchler is to be managing director of Amtrade. Other senior partners will be Mr Andre Heusser, head trader, Mr Gilles Guerin, treasurer, Mr Jean-Pierre Merlo and Mr Andre Buhler, all formerly with Chemical Bank.

In addition to trading in Swiss franc securities, including equities, the new company aims to advise small and medium-sized companies seeking to go public.

Paul Betts reports on the forthcoming flotation of the Paris fashion house

High finance for Yves Saint Laurent

THE EXTRAVAGANT world of Paris high fashion has been in a state of agitation. With the autumn shows, the great tents were erected again in the Tuileries gardens last week for models to display the latest collections before the ecstatic applause of the privileged few.

But this time, the excitement is perhaps greater than usual, for the business is undergoing a rapid evolution in France. During the past few months, the fashion houses have been at the centre of the intense dealmaking and financial manoeuvrings that have hit the country's luxury goods business.

Undoubtedly, the biggest deal so far has been the recent merger of Louis Vuitton, the luggage maker and owner of the Veuve Cliquot champagne, and Moet Hennessy, the champagne, cognac and perfume concern, to form France's largest luxury group.

Now it is the turn of Yves Saint Laurent to hit the headlines again as the famous fashion house started 26 years ago by the couturier and Mr Pierre Berge, his business partner, is about to become the first French haute couture business to be quoted on the bourse. The flotation of Saint Laurent on the Paris over-the-counter market early in December is likely to set a new trend as high fashion and high finance increasingly mingle.

"For a long time I had thought of bringing our company on the bourse," says Mr Berge, in his plush art deco office in the Yves Saint Laurent *hotel particulier* off the Avenue Marceau in the heart of the capital's couture district. "Even profitable companies like ours face a serious risk of disappearing in the longer term if they remain family businesses. For this reason I wanted to find strong partners at the same time as quoting the company on the stock market."

Mr Berge has already found his financial partner. Last year he was put in touch with Mr Carlo De Benedetti, the Italian businessman, and Mr Alain Minc, the eclectic French financier who runs Cerus, Mr De Benedetti's French holding company. Cerus took a stake in Yves Saint Laurent and helped the fashion house engineer a $630m takeover of Charles of the Ritz to enable Yves Saint Laurent to regain control of its perfume business.

"I was always anxious to regain control of our perfumes from the Americans. It's like the Rock of Gibraltar for the Spaniards. It had to come back to us some day," remarked Mr Berge, who has always run the business side of the fashion house while Mr Saint Laurent has devoted himself entirely to the creative side. "It's always been a sort of Yalta between the two of us with me managing the affair and Yves giving free rein to his creative talents."

With the Charles of the Ritz acquisition, Saint Laurent suddenly became a highly geared company. To reduce its indebtedness, it first sold this summer the cosmetics businesses which did not carry its name to Revlon for about $150m. Now it will

Yves Saint Laurent

raise fresh equity by floating 20 per of the company to the public.

Saint Laurent and Mr De Benedetti are also reinforcing their links. A new financial holding group called Compagnie Financiere Saint Laurent is being formed which will control between 50 per cent and 60 per cent of the fashion and perfume business. It will be 51 per cent owned by the Saint Laurent-Pierre Berge partnership with the remainder 49 per cent held by Cerus. Mr Saint Laurent and Mr Berge will also own a direct 10 per cent stake in the company to be floated on December 4. Institutional investors will also hold a stake of about 10 per cent.

Relations between Mr De Benedetti and Mr Berge have become increasingly close and friendly. Although the Italian financier clearly wants to play a large role in the company, especially in its financial management, it is also keen to see Mr Berge and Mr Saint Laurent keep control of a business whose turnover this year is expected to total FFr2bn ($331.3m) or more.

Following the Charles of the Ritz acquisition, sales in the first half of the year rose to FFr1.1bn and profits totalled FFr63m.

Mr Berge has ambitions to develop the company into a major luxury products group by diversifying through mergers and acquisitions into new sectors. "But this does not mean we will do everything and anything. It's like a cocktail, those exquisite American concoctions as long as the drinks are properly mixed. But imagine mixing beer with cognac, pastis and Coca-Cola."

Mr Berge is looking at opportunites in other European countries. But he says he recently turned down a proposal to make Yves Saint Laurent bin bags. "We must always be careful in the way we manage our image," he says. He would be interested in investing in wine but stresses that it would have to be a top chateau and "not those lesser chateaux which the Japanese have recently been buying in the Bordeaux area."

Unlike the recent Louis Vuitton-Moet Hennessy merger, Mr Berge sees his company's latest moves as an offensive rather than defensive strategic deployment. One of the principal reasons behind the Vuitton deal was to protect the companies from potential hostile takeover attacks at a time when the French luxury goods sector is seen as a prime target for foreign and domestic corporate raiders.

"We had no such problem, but we wanted to position ourselves strongly for our future development," Mr Berge said. "There is a big difference between trying to save a company in turmoil and a company like ours which is thriving with 22 per cent to 23 per cent after-tax profit margins.

"Mr De Benedetti came along and helped us buy back our perfume business. If he hadn't, we would have kept the status quo. And we now both have a common vision on our long-term strategy."

Sama forms loan disputes body

BY FINN BARRE IN RIYADH

A SPECIAL three-member committee established by Saudi Arabia's central bank to decide on loan disputes has begun functioning, Mr Mohammed Abalkhail, the Finance Minister, confirmed yesterday.

The committee was established by the Saudi Arabian Monetary Agency (Sama), the central bank, to oversee disputes on bad loans. These are considered the paramount problem for the kingdom's 11 commercial banks. More than 500 loan cases had already clogged the commercial courts before formation of the committee was announced in March.

The cases have now been transferred to the committee, which was formed in an attempt to find a way around Saudi Arabia's fundamental religious conflict with Western banking. Saudi Arabia operates under Islamic Sharia law, which forbids the paying or acceptance of interest. Whenever a borrower runs into problems on repayment, he can take take the case to a Sharia court, which invariably rules against banks.

Bankers say that many Saudis who have the financial means to repay loans avoid meeting their obligations in this way. Just the threat of a Sharia court is enough to force many banks to reschednle loans.

The new banking disputes committee does not have official legal power, and is expected to persuade rather than force debtors to deal with the banks. But its persuasion includes the ability to prevent bad debtors from leaving the country, to freeze their bank accounts, to attach their assets, and to request government agencies to decline further business with them.

The Government is the source of almost all major contracts, so this final ban could prove fatal for many businesses. The committee will not supersede Sharia law, which means that defendants have the right to appeal any decision to a Sharia court.

The panel consists of Dr Muhammed Hassan Al-Jabr, deputy Minister of Commerce, who is a lawyer; Dr Ali Al-Johany, a petroleum expert; and Dr Abdul Aziz Al-Guweis, chairman of Saudi Consolidated Electric. Bankers are awaiting the results of the first cases.

Mr Abalkhail said that enforcements have yet to begin. For bankers, lawyers and Ministry of Finance officials, the key question now becomes what the view of a Sharia court would be when a borrower unsuccessful in his hearing before the committee appeals a decision which the three men have reached.

Lebowa Bakeries tops pre-listing forecast

BY JIM JONES IN JOHANNESBURG

LEBOWA BAKERIES, the black-owned bakery company which was launched on the Johannesburg Stock Exchange in June, has beaten its pre-listing profit forecast in the six months to September.

First-half turnover rose to R17.8m ($8.7m) from R15.2m and pre-tax profit was R2.25m against R2.08m. Turnover totalled R32m in the year to March, when pre-tax profit was R4.88m.

Professor Pothinus Mokgokong, the chairman, expects the taxed profit of R2.05m forecast in the prospectus to be exceeded by about 15 per cent this year. A new bakery was opened in September, though it is expected to make an appreciable contribution to profits only late next year.

Net earnings per share rose to 4.5 cents from 4.1 cents and an interim dividend of 1.75 cents has been declared.

Saudi Arabian group in petrochemical venture

BY OUR RIYADH CORRESPONDENT

A COMPANY formed by 26 of Saudi Arabia's richest businessmen has been awarded three industrial licences that will open a new area of petrochemical activity in the country.

Saudi Venture Capital Group, which has Fluor of California as a consultant, has been licensed to establish three specialised plants in projects which will have a combined capital of 1.33bn riyals ($354.6m).

The largest investment will be in International Biotene Chemicals, capitalised at 677m riyals, which will produce 112,000 tonnes a year of propional, butanol and other anhydride chemicals. PET Resins International will have an annual output of more than 54,000 tonnes of resins used in bottles and other products. A further facility will produce 826,000 tonnes per year of aromatic carbons, solvents and naphtha.

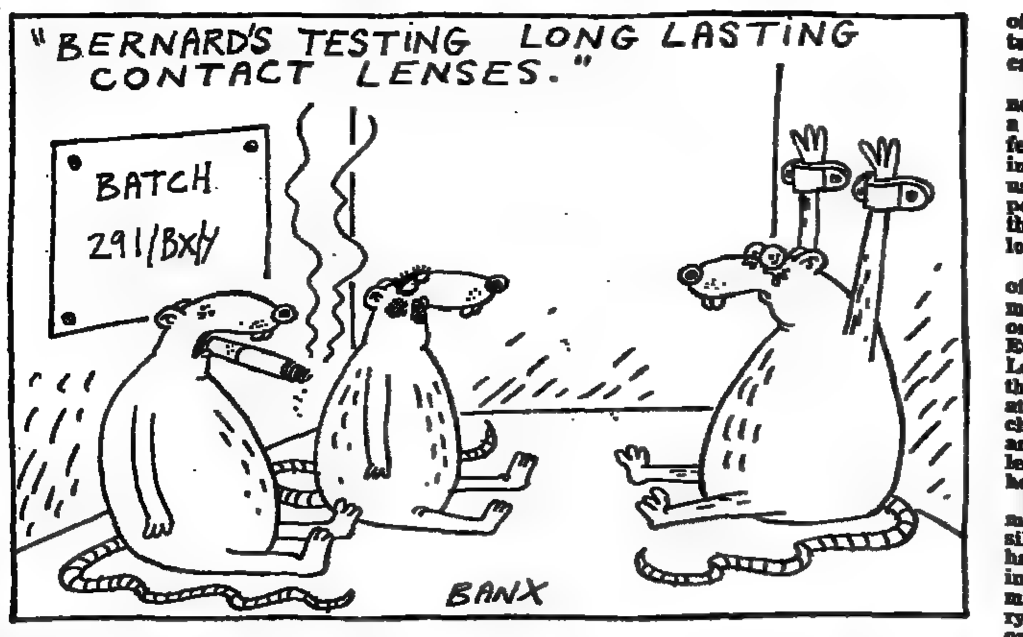
Until now, all production of aromatics in the kingdom has taken place in its refineries. Only the Petromin-Shell joint venture refinery has a comparable aromatic unit to remove toluene, benzene, and xylene.

TECHNOLOGY

Contact lenses

Looking for a better way to breathe

The industry has set its sights on an improved range of materials. Peter Marsh reports



THE contact lens industry, bedevilled by problems caused by "extended wear" lenses, which in many instances have beensynonymous with extended discomfort, is turning to new materials which promise wearers longer periods of use without the attendant irritation to eyes.

The new materials are based on fluoropolymers which, compared to other materials used in lenses, have a greatly increased capability to let oxygen through to the eyeball, so reducing the possibility of infections and subsequent damage to the cornea.

At the same time, the substances are rigid enough to withstand a certain amount of ill treatment, giving them an important advantage over the popular types of soft lenses which tear and warp relatively easily.

The fluoropolymer products, which have been introduced by Bausch and Lomb and SmithKline Beckman, two US companies which are among the world leaders in contact lenses, have emerged as the lens industry takes stock after a 20-year period of almostunchecked growth.

Annual output in the industry has risen from next to nothing in the 1960s to about $1bn, with half the sales in the US. Chemical cleaning agents required for the lenses, particularly the soft variety, add up to further annual sales of about $750m.

The emergence of new materials for continous-wear lenses coincides with the lens industry studying other technogical advances to reduce the cost of making the products and to make it easier to produce reliable bifocal lenses.

Cost reduction in lens production is being pursued in new-manufacturing strategies under study by many of the leading lens companies, according to Tony Raven, an optics specialist at Scientific Generics, a UK consultancy. Such efforts are manifested in new disposable lenses on sale inthe US by Vistakon, a subsidiary of Johnson and Johnson, a leading US healthcare company.

Vistakon says the lenses - which are thrown away after an average of 10 days or so of continuous wear - can be made particularly cheaply in a novel production process which turns out the products highly accurately.

Bifocal lenses, meanwhile, are under development by many of the leaders in the industry. Most contact lens wearers, of whom there are some 20m in the US alone, are relatively young. As they grow older, their problems of short-sightedness will be compounded by their difficulties in focusing on near objects; hence the need for bifocals.

Most bifocal lenses, however, work less than perfectly. They are split into two sections, like bifocal spectacles, and as a result it cannot always be guaranteed that the eye looks through the correct portion when viewing either a near or distant object.

Pilkington, the UK glass company which has become a major player in the contact-lens industry through its acquisition of two opthalmics divisions of Revlon, the US cosmetics company, recently announced a bifocal lens based on holographic techniques. It says they should produce a better performance than the old type of split-section lens.

In the new bifocal product, a direct spin-off from Pilkington's military-related work in holographic head-up displays for aircraft cockpits, tiny concentric lines are etched into the lens. When light shines on them, the resulting interference pattern produces a set of holographic images from which the brain selects which to "see", depending on what provides the best-focused picture.

"Bifocal lenses are the single biggest opportunity for theindustry," says Frank Jepson, vice president for communications at Bausch and Lomb, which claims to be the world's biggest contact-lens company with annual sales in these items estimated at $150m.

New developments in extended-wear products are another priority for the industry, other leading concerns in which include Ciba-Geigy of Switzerland and Cooper Vision of the US.The first generation of extended-wear lenses was generally based on soft lenses, which contain up to 75 per cent water, the rest of the product comprising a hydrophilic polymer, typically hydroxy ethyl methacrylate. Due to the presence of water, these lenses let oxygen through relatively easily, allowing the cornea to "breathe."

The early versions of prolonged-used lenses were marketed asbeing suitable for continuous periods of wear of a month or more. People's eyes suffered, however, as a result of a build-up of deposits on the lenses or, worse still, the formation of minute cysts on the cornea due to irregular or poor cleaning preventing enough oxygen getting through the polymer barrier.

"There was a rush to promote 30-day lenses, without properly taking into account the needs of the wearer," says Jepson. "The problem was the lack of 30-day eyes."Both Bausch and Lomb and SmithKline Beckman, which is marketing a fluoropolymer lens developed by 3M, the US materials company, believe the new products will prove more successful in the market place.

This is partly because the fluoropolymer substances absorb oxygen more readily than the soft-lens materials, allowing more of the gas through to the eyeball where it staves off the possibility of infections.

In the case of the SmithKline Beckman product, the lens is almost totally permeable to oxygen transfer, according to William Isaacson, a director of 3M's life-sciences division which developed the product. He says the lens lets through 95 per cent of oxygen immediately adjacent to the eyeball.

Another advantage is that the fluoropolymer substances are more rigid than the soft materials used in most lenses, and so can withstand more wear and tear. Isaacson says that the 3M/SmithKline lens will fold in on itself, without cracking or breaking. It also has good "wetability" characteristics, meaning it can slide fairly easily on the tear layer above the eye, and is unusually resistant to build-up of deposits which can harm contact-lens performance and cause discomfort.

Isaacson says that in tests the new lenses have been worn for a year non-stop, without ill effects, though the time of wearing depends generally on the user and that in practice few people would be able to keep the items on their eyes for this long.

As a result of the properties of the material , the fluoropolymer lenses - which are not yet on sale in the US or in most of Europe, though Bausch and Lomb is selling its products in the Netherlands - can be looked at as combining the best of the characteristics of soft lenses and of the rigid gas-permeable lenses which have made rapid headway in the past five years. .

The gas-permeable type, made from materials such as siliconacrylate copolymers, have come to the fore in replacing theoriginal "hard" lenses made from polymethyl methacrylate which is impervious to oxygen transfer. Sales of the gas-permeable lenses, although they have grown quickly in recent years, were limited in the past by the fact that soft lenses are often more comfortable to wear.

Gas-permeable lenses are also normally more expensive, costing in the US typically $250-$300 a pair, compared with $100-$150 for soft lenses. The trade-off, however, is that the rigid type last longer - several years if looked after properly - compared with as little as six months for the soft variety.

The general lack of durability of the soft type - together with the high costs of looking after them, resulting from the $150 or so a year which must be spent on chemical cleaners - has prompted Vistakon, the Johnson and Johnson subsidiary, to seek an opening in the disposable lens area.The company, which is test marketing its new lenses in Florida, says they are indistinguishable from ordinary soft lenses.

The cost of using the disposable variety would work out for the average customer, says the company, at $520 a year, which compares with $350 (including lens-care solutions) for the typical soft-lens wearer. Vistakon believes many people will not mind paying the extra costs on the grounds of the increased convenience of not having to bother with cleaning.

A new digital generation

DATA GENERAL (DG), the US-based computer group and Nippon Telegraph and Telephone (NTT) of Japan are to develop jointly a new generation of digital high speed corporate communications systems.

The new integrated systems will be based on telecoms exchanges which will be able to handle data as well as voice and will offer computer facilities to the users.

NTT will jointly fund research and development work at Data General's Westboro, Massachusetts, facility and the new systems will be based on the US company's super-minicomputers. Manufacturing will take place at DG facilities in the US and the Far East.

Following successful development, NTT plans to market the networking systems to large corporations and government agencies in Japan. Data General will look after the US and Europe and the first installations are expected to take place by the summer of 1989.

The DG/NTT networks will accommodate appropriate international communications standards including ISDN (integrated services digital network),the open network standards under development at the International Standards Organisation, and the widely used IBM communications standard, SNA (systems networking architecture).

Tunnelling by remote 'mole'

IN THE UK, East Midlands Electricity has been pioneering a method of laying cables underground without disturbing the surface above. Developed by FlowMole, a US company which has just set up a UK subsidiary in Corby, this "microtunneling" technique uses a remotely-controlled hydraulic boring system which can be electronically guided under roads and other fixed structures.

Accuracy is guaranteed, claims the company, and the cables or piping can be threaded through the bore in a matter of hours. Normally, such work might take weeks because a trench has to be dug across the road, the road coned off and the traffic disrupted.

The technique, called Guidedril,uses a high pressure fluid cutting head to produce tunnels up to 125mm diameter.The cutting fluid acts as a lubricant but also is forced outwards to form a 5mm thick solid wall as the head moves along. The head contains a low frequency radio transmitter which sends a signal to the surface, where a receiver is able precisely to indicate the position and depth of the head down to 3.5 metres. Then, a final cutting tool is pulled through followed by the cable.

FlowMole says it can lay cables in this way at a cost of £25 to £35 per metre. Overall cost savings, compared with traditional trenching and surface re-instatement, are in the 25 to 30 per cent region.

FlowMole has successfully laid a cable under the A38 at South Normanton for East Midlands Electricity and has also done work for British Telecom in Hyde Park and British Gas in Newcastle.

Artists can feel the pressure

TERMINAL DISPLAY Systems in the UK is offering a pressure sensitive stylus that can register 128 levels of pressure when used on graphics tablets by artists and graphics designers.

WORTH WATCHING

Edited by Geoffrey Charlish

The extent to which the artist presses on the tablet will produce corresponding lines on a colour screen that can be finely varied in terms of width or colour intensity. Known as ZedPEN, the system is claimed to be four times as sensitive as existing devices. It is designed for use in computer-aided design and signature recognition systems as well as in artistic work. The pen, tablet/digitiser and power supply cost £1,080 in the A4 version.

Joint study of networks

INTERNATIONAL Business Machines and Bell Atlantic Corp have agreed jointly to study product opportunities for intelligent network services in the international marketplace.

IBM said the study will assess the marketplace requirements outside the US for a series of intelligent network voice, data, and image applications.

The company said the applications include an 800-number service, alternate billing services, and private network services.

Improving the reception

ENGINEERS AT AT&T Bell Laboratories in the US have developed a cheaper form of radio receiving aerial that improves microwave reception.

The system uses a well known radio technique called diversity reception in which, normally, two microwave dishes are used instead of one, arranged so that if one is not receiving a good signal, the other can augment it. The problem arises because incoming radio signals can arrive via different paths through the atmosphere, some of which reduce the signal strength more than others.

Using two dishes can reduce this, but doubles the cost of the installation. The Bell engineers have instead made use of a fandemental property of microwave aerials, which is that they can be designed to have different reception strengths for specific directions of reception, apart from the main forward beam. The Bell dish has two strong reception directions, or "radiation lobes" which behave in the same as a pair of diversity dishes, sharply cutting the cost.

Facsimile and computer

TELI, A Swedish electronics company, and the Swedish telecoms authority have developed an office machine which can send facsimile images over a phone line, act as normal office copier or provide printing facilities for a personal computer. Believed to be the first of its kind, the machine also has a memory and can hold up to 200 pages of A4 text.

Company Notices

UK COMPANY NEWS

Hawker Siddeley growth checked

BY STEVEN BUTLER

STRONG GROWTH in the electrical equipment businesses of Hawker Siddeley Group the electrical and mechanical engineering group, was insufficient to compensate for sluggishness in diesel engineering and mechanical equipment during the first six months of the year.

Pre-tax profits announced yesterday rose £1m to £73.1m, while sales increased from £789m to £835m. UK sales alone fell from £454m to £437m, while overseas sales rose.

Mr Bob Bensly, managing director, said that profit growth for the year was still anticipated.

"We are seeing a general strengthening of markets and we expect this year to see a return to growth," he said. Electric motors and generators put in the strongest performance, with sales increasing from £94m to £114m, and trading profit up 25.5 per cent to £12.3m. Mr Benley said the improvement reflected investment in the division as well as acquisitions.

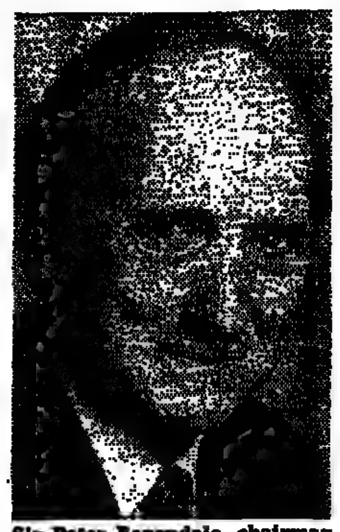
The electrical distribution and controls division, which has seen much of the group's acquisition activity in recent years, moved ahead by 22.4 per cent to £18.6m at the trading profit level, while sales increased from £185m to £224m.

The electrical specialised equipment division suffered from the costs of developing Hawker Siddeley's advanced signal control system, but Mr Bensly said that profit growth would resume next year. Trading profits in the division were up marginally to £12.5m, while sales increased from £137m to £158m.

Mr Bensly said the group would have a major selling tool when its new signal systems are up and running in Hong Kong and Singapore and that it would be offering the most advanced equipment in the world.

Both small and large diesel engines put in a disappointing performance, with sales dropping £13m to £70m, and profits off from £4.5m to £3.7m. The division was, however, expected to benefit from new orders in the coming months as tenders go out on new power plant projects. Some revival of business from the Middle East was anticipated.

A fall back of orders for coal mining equipment, after the surge of 1986, caused mechanical equipment sales to drop £15m to £242m, while profits fell £1.5m to £19.3m.



Sir Peter Baxendale, chairman of Hawker Siddeley

Group net borrowings are nil, and Mr Bensly said the group's acquisition programme would continue. The group has spent £220m in the past two years in a series of small and medium-sized acquisitions, mainly in the US.

Earnings per share rose from 20.9p to 21.0p, and the group declared an interim dividend of 5.5p (5.0p).

● comment

Hawker Siddeley is hardly the company to make any investor's blood run hot, with its yawn-provoking performance in the first half of the year. Prospects for the group are undoubtedly improving in its difficult divisions, but with such a wide geographic and industry spread it is hard to believe that all parts could motor ahead at once. Still, Hawker Siddeley's lowly prospective p/e of less than 10, based on full year profits projections of £165m, is just a little mean. The group is backed by solid assets, and on break up would be worth much more than yesterday's closing price of 461p per share, should any predators have to nerve to launch a bid. The yield is reasonably attractive, and the group looks well fixed to weather any possible recession. That would appear to make the shares fairly safe whichever way the market moves.

First Charlotte assets up 72% to 22.3p

Net asset value of First Charlotte Assets Trust rose to 22.3p at September 30 from 13p a year ago and 17.25p at the March 31 year end.

Gross revenue for the six months amounted to £158,000 compared with £149,000. After tax of £16,000 (£20,000) available profits emerged at £15,000 against a previous £56,000. Earnings per share were 0.02p.

The companies in which First Charlotte was invested had continued to report good operating results during the period. Until last Friday, this had been reflected in strongly performing share prices.

The company was satisfied that the companies held by it, their profitability, balance sheet quality and prospects for growth were largely unaffected by dramatic swings in the stock market.

The directors said First Charlotte was not under pressure to sell good investments since, unlike a unit trust, it does not face the problem of redemptions by unit holders. They pointed out that distress selling by other institutions could create attractive opportunities.

Conrad surges to £239,000

Conrad Holdings, exhibition contractor which added property development to its activities with the £2m acquisition of Cordwell Property in August, more than doubled taxable profits in the first half of 1987.

Profits were boosted from £101,443 to £239,243 on turnover down from £3.62m to £3.18m. The directors declared an unchanged dividend of 1p and after increased tax of £86,000 (£41,000), earnings per share rose from 1.06p to 1.09p.

Mr Neil Phoenix, chairman, said that the increase in profits had been a good achievement but pointed out that figures for the previous year had been adversely affected by the losses from Russell Brothers which had since been sold.

He reported that the EGC group of companies continued to trade satisfactorily albeit against a background of tough competition. The continued development of Cordwell bode well for the future although the specific level of contribution to group profit in the current year depended on the timing of some factors which, in the short term, might be subject to chance.

He pointed out, however, that the retail development market was benefiting from strong occupational and investor demand and hence was confident that Cordwell would be a very significant acquisition.

Conrad had greatly strengthened its base and was examining a number of opportunities for growth by acquisition.

In May, Mr David Thompson, former chairman of Hillsdown Holdings, paid £1.25m for an 18 per cent stake in Conrad. The deal was part of a capital reconstruction which also involved Mr Roger Abraham, a managing director of Chase Investment Bank, taking an 18 per cent holding. Conrad issued 5m shares to the two men at 50p each. At the same time it issued another 2.8m shares in a deep-discounted one-for-two rights at 50p to existing shareholders. The total effect was designed to increase capitalisation by 66 per cent.

Marley to buy US brickmaker

BY FIONA THOMPSON

Marley, the building materials company, is to purchase Corbin Brick of Corbin, Kentucky, for $13.65m (£8.25m). Marley will acquire Corbin through General Shale Products Corporation, its existing US brick manufacturing business.

Corbin makes a range of high-quality facing bricks. With a new, recently commissioned, kiln added to its existing production line, Corbin has a maximum production capacity in excess of 100m bricks a year.

The acquisition will allow General Shale to expand its coverage in the northern US.

The addition of Corbin will make General Shale the second largest facing brick manufacturer in the US and boost its total annual capacity to more than 820m bricks per year. This is an increase of more than 25 per cent since Marley acquired General Shale in 1966.

Spurs end year in a better position

By David Waller

Tottenham Hotspur, runners up in last year's FA Cup and the only company to present its earnings per share before and after transfer fees, yesterday reported reduced pre-tax losses for the year to May, and a sharp turnround in trading profits.

Shareholders are to receive a dividend of 4p, their first payment since 1985.

Operating profits amounted to £970,000 compared with a loss of £330,000 last year. However, the acquisition of Steve Hodge, Richard Gough and other human assets cost £1.3m in transfer fees, and at the pre-tax level the company made a loss of £330,000, against £730,000 in the previous year.

Mr Paul Bobroff, Tottenham's chairman, said that since the year end he had sold Glen Hoddle to Monaco for an undisclosed but large sum, and the transfer account now showed a profit of £1.4m.

Stripping out the effects of what Mr Bobroff said should be considered as expenditure on plant and equipment, with legs, a loss of 7.2p per share in the previous year was turned into earnings of 10.15p. If transfer fees were included, the loss per share more than halved to 3.6p.

There was an extraordinary profit of £4.7m on the disposal of the company's trading ground in Cheshunt. That left Tottenham negatively geared with net cash of £1.4m, which will be deployed on acquisitions consistent with the company's policy of reducing its dependence on football.

Approximately two-thirds of operating profits came from White Hart Lane, where attendances at home league matches rose by 24 per cent last season.

The balance came from the company's retail and other commercial activities.

Hummel (UK), the sports and leisurewear company, made a loss of about £100,000 in its first full year, but is expected to contribute a substantial profit in the present year.

Spurs' shares rose 18p to 178p at full time.

Bertrams Inv Tst

Bertrams Investment Trust reported net asset value of 83.8p at September 30 1987 against 53.7p a year earlier. Earnings per share came out at 2.25p (1.04p) and the directors are recommending a final dividend of 1.1p making a total of 2.1p.

Evered takes 14% stake in Henderson for £11.3m

BY MIKE SMITH

Henderson Group, the industrial doors and security products company, found itself at the centre of bid speculation last night after Evered Holdings, the industrial conglomerate, bought 14.3 per cent of its shares.

Mr Osman Abdullah, Evered chief executive, said last night that he was keeping his options open.

"We do not want to mislead everybody into thinking we are going to make a bid but we cannot rule it out," he said.

Evered bought its 3.2m shares for £11.3m on Tuesday from Carousel Investments, a Swiss-based company in which Mr Abdullah's brother, Ahmed, is a manager. It paid 335p for each share, although each will accrue a 4p dividend within the next week. Yesterday shares in Henderson rose 4p to 334p.

Evered could face competition if it decided to launch a bid. Three weeks ago Henderson said it had received an approach which could lead to a takeover offer.

Henderson said yesterday that it had heard nothing further from the potential suitor, which had not been Evered.

Mr Abdullah said that Evered saw opportunities for developing a commercial relationship. "Henderson is a building products company and has a number of businesses which are complementary to our own."

In particular, he saw opportunities for synergy between Tactico, the Evered subsidiary which specialises in factory security, and the security products arm of Henderson, which makes access control systems.

There would also be common ground between Henderson's doors division and Evered's Weatherseal subsidiary, which specialises in windows.

Mr Pat Gaynor, chairman of Henderson, said his company wanted to remain independent but he added: "There has to be a price which one has to give shareholders the chance of considering."

Mr Gaynor is expecting to meet Mr Raschid Evered, chairman of Evered and brother of Osman, for talks today.

Following a slump in fortunes in 1986 and 1987, Henderson's performance is thought to be improving. Analysts are expecting pre-tax profits of at least £6.4m this year, against £4.42m in 1987. At yesterday's close, the company was capitalised at more than £76m.

Virgin in £4m computer software expansion

BY DINA MEDLAND

Virgin Group, music and leisure company, has bought 45 per cent of the share capital of Mastertronic Group for £4m in cash through its wholly-owned subsidiary, Virgin Vision. Mastertronic is a publisher and distributor of computer games software, with interests in video, music distribution and arcade software.

Mastertronic made pre-tax profits of £1.12m for the 12 months ending June 30.

Commenting on the acquisition yesterday, Mr Robert Devereux, managing director of Virgin Vision, said: "The computer software market is relatively mature and the Mastertronic acquisition consolidates Virgin's market share. It will give us increased purchasing power and greater distribution strength and takes us into the expanding low-price end of the market which over the last two years has grown from 24 per cent to 55 per cent of the UK market."

He added that Mastertronic's presence overseas, particularly in the US and Europe, would help Virgin to develop those markets further.

Ambrose Inv. ahead

Ambrose Investment Trust announced a 22.2 per cent increase in net asset value per capital share from 615.45p at the end of March to 751.86p on September 30. Net revenue for the six months ended September rose from £384,388 to £470,377.

The directors are paying an interim dividend of 4.38p per share (3.55p) to reduce disparity between the interim and final dividends. Earnings per share improved from 5.4p to 6.63p.

Gross income rose from £578,045 to £685,948. Consolidated net assets at end-September stood at £29.4m against £24.33m six months earlier. The surplus on realisation of investments in the half year was £1.83m.

CFS profits more than double at £0.5m halfway

MORE THAN doubled pre-tax profits were announced by Comprehensive Financial Services for the six months ended June 30. On income up from £920,000 to £1.79m the pre-tax result came out at £494,000 against a previous £213,000.

The directors have declared a 1.3p (0.8p) interim dividend to be paid from increased earnings of 7.43p (3.76p) per 5p share.

They said that investment management had made a major contribution to the improved earnings and that department continued to attract new private clients.

Since the end of the period the group's activities had continued to develop the directors said, and indications for the full year were encouraging.

After a tax charge of £176,000 (£67,000) and minorities of £15,000 (nil) attributable profits amounted to £303,000 (£146,000).

The company's shares are traded on the USM.

Tiphook in £3m deal

Tiphook, trailer and container leasing group, has bought the Anglecrown portfolio of short-term general machinery leases from Great Universal Stores, retail and finance company, for £3m in cash.

Anglecrown is expected to produce rental income of more than £9.2m during the run-off of the leases which extend up to five years. Tiphook forecast a positive contribution to its profits.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- British & American Film, East Rand Gold & Uranium, Elbeif, Fleming Universal Investment Trust, Free State Consolidated Gold Mines, Gerrard & National, Hammerson Property Investment, Harris Queensway, Lep Group, Orange Free State Investments, Sunleigh Electronics, Vital Holdings.

Finals- British Assets Trust, Govett Strategic Investment Trust, Investors Capital Trust, Manganese Bronze, Norex, Town Centre Securities, Witkop Gold Mining.

FUTURE DATES

Interims-	
Usher Walker	Oct 26
Finals-	
[illegible]	Oct 29
Gleeson (M.J.)	Nov 12
Granada	Nov 5

UK COMPANY NEWS

Berkley House talks with Marler Estates called off

BY FIONA THOMPSON

THE PLANNED reverse takeover of Marler Estates, property company and owner of Fulham and Chelsea football grounds, by Berkley House, private housebuilder and property developer, has been called off.

Mr Graham Meehan, who founded Berkley with his brother, Keith, in 1976, said yesterday the negotiations had been terminated because "we haven't been able to agree terms". He said that Berkley would retain its 28 per cent beneficial interest in Marler which it holds with Mr David Thompson, co-founder of Hillsdown Holdings.

Talking last month about the planned takeover, Berkley said all the Marler directors would go, including Mr David Bulstrode, chairman, who became a figure of hate for Fulham Football Club supporters at the end of last season when Marler sought to merge the club with Queen's Park Rangers.

Yesterday, Mr Robert Noonan, Marler executive director, said Mr Bulstrode would remain as chairman of Marler Estates. He would not detail why the talks with Berkley had failed, saying only: "We decided not to go ahead". Price was not the problem, he added.

Berkley, which recently acquired the Thames House site from ICI, has a market capitalisation of £200m, according to Graham Meehan. Marler Estates was capitalised at £93.5m, at the £12.50 price at which shares were suspended on September 22.

The Marler board yesterday requested a lifting of the suspension and dealings will recommence today.

Mr Meehan said yesterday Berkley still intended to join the stock market. "We may have a fresh approach," he said.

S&N attacks Brown's defence

BY LISA WOOD

Scottish & Newcastle Breweries yesterday wrote to shareholders of Matthew Brown, attacking the Blackburn-based brewer's first defence document which was published this week.

S&N said that the Brown board, in urging its shareholders to reject S&N's offer, had chosen to obscure the key issues with "selective, irrelevant and outdated statistics."

S&N said that Brown had failed to explain why its recent overall sales figures had declined in real terms. It said the board of Brown had deliberately ignored S&N's "excellent" 1987 results and had failed to give an estimate of Brown's own results for 1987, a year which had already ended.

S&N is offering three of its shares for every one of Brown, with an alternative cash offer of 750p per share. The first closing date for acceptances is next Monday.

Benlox stake raised

Dr Ashraf Marwan, Egyptian financier, has bought a 50,000 shares in Benlox Holdings, which has launched an all-paper bid for Storehouse, taking his stake to 9.21m shares. Dr. Marwan is one of Benlox's leading shareholders and deputy chairman.

Williams raises minorities offer

BY CLAY HARRIS

Williams Holdings yesterday unveiled a sweetened offer to buy out the remaining holders of preferred shares and deferred ordinary shares in London & Midland Industrials, building products and engineering group, which was absorbed into the industrial conglomerate more than a year ago.

The offer is intended to simplify Williams' group structure and reduce administrative costs by removing, for example, the requirement that LMI hold its own annual meeting. In the offer, Williams will have to pay no more than £995,000 in cash, although more than 90 per cent of that total could be taken in shares.

Persistence has paid off for shareholders who held out and kept the total acceptances below 90 per cent and thwarted a compulsory purchase. Williams' latest four-for-five offer values each LMI deferred ordinary share at 241.6p. There is a cash alternative of 230p. This compares with original share terms worth 141.6p and a cash offer of 131.9p.

Preferred shareholders are being offered 80p in cash, compared with 70p last year.

Beradin boosts first half profits

Beradin Holdings, which has interests in rubber and palm oil production, raised its turnover from £280,757 to £327,832 over the first six months of 1987 and profits before tax from £6,249 to £76,310.

Crops of both rubber and oil palm were lower than a year ago but were, nonetheless, ahead of expectations. Palm oil prices maintained the improvement noted in the latter part of 1986 and rubber prices were also better and have gained further since the half-year end.

Exchange losses were lower at £9,962 (£34,702) but interest income dropped to £16,472 (£31,676).

BSR expands its UK kitchen activities via Italian purchase

BY MIKE SMITH

BSR International, the Hong Kong-based electronics group which is listed in London, yesterday expanded its UK kitchen appliances subsidiary, Swan Housewares, through the acquisition of Italian company Girmi for up to £9.95m.

Girmi manufactures a range of small electrical appliances including food processors, ice-cream makers, toasters and irons. BSR says its products manufacturing and geographic bases complement those of Swan.

Under yesterday's deal, which has been under discussion for some months, the consideration will depend on Girmi's profitability in the year to December 31. BSR has already paid the former owners of the company £4.98m in cash.

Last year Girmi made pre-tax losses of £550,000 on sales of £15.6m. However, the business has been substantially reorganised and the vendors have warranted the level of profits for this year.

The company's capital base has also been strengthened. Net assets exceed £1.85m.

The acquisition is part of BSR's strategy of strengthening Swan prior to seeking a separate listing for it.

Mr Brian Christopher, BSR chief executive, said Girmi would provide Swan with an established continental distribution network. It was established in France and Germany as well as Italy.

In addition Swan would provide Girmi with greater access to the UK

BSR's most recent results, published in August, showed a 58 per cent growth in pre-tax profits to £5.7m for the six months to June 27. Swan made operating profits of £300,000, up from £100,000, but sales and profits are concentrated in the second half.

Gartmore American

Net asset value per 25p share of Gartmore American Securities amounted to 222.5p at September 30 against 196.7p six months earlier.

For the half year to end-September available income fell to £156,433 (£192,433). Earnings totalled 0.87p (1.07p). Interim dividend is 0.6p (same).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Ambrose Inv ....int	4.38‡	Dec 15	3.55	-	11.58
Chillington Corp ...int	2.6	-	2.27*	-	6.36
Comp Financials ...int	1.3	Dec 16	0.8	-	3
Conrad Holdings ...int	1†	-	1	-	2.5
Gartmore Amer .....int	0.6	Jan 15	0.6	-	1.4
Hawker Siddeley ...int	5.5	-	5	-	17
House of Lerose .....int	3	Dec 3	3	-	9.4
Manch & Lond Inv.int	3	-	1.5★	-	1.5
Tottenham H ....fin	4	Jan 4	nil	4	nil

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. ØThird market. ★16-month period. ‡To reduce disparity.

COMPANY NEWS IN BRIEF

J W BONSER, a subsidiary of Whittington Engineering, is acquiring George Butler Silversmiths for £325,000 to be satisfied as to £300,000 cash and £25,000 in silver-plated products. The directors intend to raise the cash, to be used with existing cash resources, to settle purchase consideration, by issuing ordinary shares equivalent to nominal value of £16,499.

TOM ROBINSON has purchased Norburys of Malton and Castle Motors (York). The consideration of £2.05m has been satisfied by £551,000 in cash, the issue of £500,000 in loan notes and 170,940 ordinary shares.

ULTRAMAR: IEP Securities, a subsidiary of industrial equity, has decreased its interest in the company from 36,026,472 shares (12.94 per cent) to 35,826,472

F H TOMKINS has completed its £1.6m cash purchase of Polymark Beaver Equipment, international manufacturer of multi-cylinder lawnmowers for the commercial and professional markets.

TOP VALUE INDUSTRIES: The open offer to shareholders of 3,010,000 ordinary shares, in connection with the acquisition of Continental Textiles (Manchester) has been 92 per cent subscribed.

SUTER, industrial conglomerate, has increased its stake in Amari, metals and plastics group, to 6.34m shares, representing 20.01 per cent of the company.

ROLLS-ROYCE: Second instalment of 85p received in respect of 793,442,141 shares (99 per cent). If second instalment on outstanding balance is not received by October 30 allocation of shares in respect of which payment has not been made will be cancelled.

DUBILIER INTERNATIONAL has signed conditional agreement to acquire the surge arrestor business of the M.O. Valve Company, a subsidiary of GEC, for around £1m. The business had a turnover of £4.5m and pre-tax profits of £0.1m in the year to end-March 1987.

ASH & LACY has acquired Lamben Galvanizers (85) for £71,000. It has repaid Lamben's loans and overdrafts which amounted to about £125,000. Lamben's name has been changed to Surrey Galvanizers.

BUSINESS MORTGAGES Trust: Bolton House Securities has acquired 10,000 shares taking its holding to 2.22m or 14.78 per cent.

UK COMPANY NEWS

Chillington rises 84% and goes on the takeover trail

BY FIONA THOMPSON

Chillington Corporation, an engineering, overseas trading and plantation group, yesterday announced interim profits up 84 per cent and four acquisitions worth a total of £2m.

Chillington, which changed its name from Plantation and General Investments in March 1986 following its merger with the Anglo-Indonesian Corporation, employs some 8,000 people in eight countries.

Its business includes contractors' and DIY tools, marine products such as outboard motors and heavy duty port lights, agricultural tools and overseas trading, metal forming, other engineering and tea and coffee plantations.

Pre-tax profits for the six months to June 30, 1987 rose to £2.03m from £1.1m on turnover of £23.07m, compared with £12.81m last year. An extraordinary credit of £2.22m (£70,000) was profit from this May's sale of 42 per cent of its stake in Telfos, maker of non-ferrous rods and metal spraying equipment.

The contractors' tool and DIY division reported strong progress and the results were good from all the metal forming companies. In the marine division, Golden Arrow performed well, but poor weather hit profit growth in the sector as a whole. On overseas trading, the results from Thailand and Malawi were disappointing. Plantation interests made only a small contribution but there were signs of better commodity prices.

The £2m investment in acquisitions includes £150,000 for Overseas Farmers Group, a long established trading business marketing dried and fresh fruit, dairy products and honey, in the UK and Europe. At March 31 this year, OFG's losses before tax were £194,000, and its assets £727,000.

The group is to pay £904,000 for shares in Lendu Holdings, which will give it a 19.6 per cent stake. Lendu has recently sold much of its rubber estate acreage in Malaysia and is acquiring agricultural property.

Chillington's third acquisition is REA Holdings' investment in the Sampang (Java) Rubber Plantations, for £814,000. Sampang owns 75 per cent of NV Bantam and Preanger Rubber, which operates a rubber and coconut estate in Java.

Through its Eva Brothers subsidiary, Chillington has bought Manchester-based John Mountford, die forgemaster, for a nominal consideration, and assumed borrowings of £250,000.

Chillington's tax charge for the half year was £567,000, against £293,000. Earnings per share were 3.6p (2.9p) and an interim dividend of 2.6p is being paid compared with 2.27p last year after adjusting for the scrip issue.

House of Lerose down midway

House of Lerose, garment manufacturer and fabric printer, returned profits of £702,000 pre-tax for the first half of 1987, a downturn of £53,000 on the same period of the previous year. Turnover declined from £9m to £8.63m.

Poor retail conditions in the UK resulted in a reduction in turnover in the garment division and lower profitability.

Although these conditions were expected to continue the directors were confident that action taken to strengthen garment manufacturing together with investment in new plant and techniques in the division would be effective and lead to improved results in the medium term.

Meanwhile, the interim dividend is maintained at 3p per 25p share from earnings of 7.2p, down from 8.3p.

The directors said they were pursuing certain other developments within both the existing businesses and outside and expected the benefits from these developments to begin to flow through next year.

Yearling Bonds

Yearling bonds totalling £0.25m at 10⅛ per cent, redeemable on October 26 1988, have been issued by the Castle Point District Council.

Lendu in profit slip and £1.2m cash call

Lendu Holdings, involved in rubber production and investment, reported a fall in pre-tax profits from £36,531 to £19,538 in the first six months of 1987.

It also announced the A$1.15m (£520,000) acquisition of Indialla, a 1,990 hectare sheep and mixed farming property near Geraldton in Western Australia, and a cash subscription and rights issue to raise £1.2m.

Earnings per 5p share before the extraordinary item fell from 1p to 0.42p. The directors declared an interim dividend of 1.5p in lieu of a final payment.

Turnover rose from £39,239 to £55,229 and tax charges were £10,000 (£14,000).

The directors said that the rights issue - on the basis of one new share for every seven - would enable them to finance future acquisitions and the develop Indialla to its full potential.

Man and London assets rise

Manchester and London Investment Trust lifted net asset value per share from 305p after the 16 months to July 31 1986 to 798p at July 31 1987. Gross revenue before tax for the year to end-July rose from £39,836 to £162,216.

After tax of £56,682 (£18,885), earnings per share surged from 2.11p to 10.59p. The interim dividend is doubled from 1.5p to 3p.

FINANCIAL TIMES SURVEY

The conference and incentive travel business is growing by 20 to 30 per cent a year, as employers look beyond money to motivate their staff. But the industry is not without growing pains, and clients should check on operators before booking, warns **David Churchill**

Conference and Incentive Travel

CONTENTS

The spurs of the moment

THE BOOMING incentive travel business is fast approaching a crossroads in its development. While more and more companies are turning to travel in the 1980s as a motivating force for staff and business customers, so an increasing number of incentive travel organisers have jumped on the bandwagon.

The result, almost inevitably, has been to lower the standards of some operators, while at least three incentive travel companies have gone out of business in recent months.

"The growth in demand has attracted a lot of new entrants, some of which are undercapitalised, operate on wafer thin margins and are unable properly to fund the considerable cash flows involved in the business," says Mr David Tonnison, marketing director of The Travel Organisation, one of the leading incentive travel companies.

He points out that "even a quite modest travel incentive programme can involve budgets of £50,000. The problem is that, unlike most other purchases, much of the payment for travel is made to the supplier before the service is fulfilled, so the client can be left in an exposed position."

Such problems are not uncommon in the development of any fast-growing industry. The response has been to form an industry-wide trade association to raise standards and regulate growth. The Incentive Travel Association of the UK (ITA:UK) was formed a couple of years ago and its 40 members have a large slice of the total market.

Mr Max Cuff, its present chairman, believes that raising standards in the industry is an important issue but suggests "it is unfair to think of all small operators in the business as being 'cowboys'; incentive travel is a business where the personal service from a small company can be very important".

Yet the fledgling incentive travel industry is already in danger of being split by a row, with some companies threatening to leave the trade association.

The issue at stake is whether or not incentive travel operators should carry an Air Travel Organiser's Licence (ATOL) issued by the Civil Aviation Authority. Any company wanting to organise air travel - package tour operators as well as airlines - has to satisfy the CAA that it is in a financially sound position so that it can carry out its business.

As part of being granted a licence, the air travel organiser must obtain a bond - to a limit in proportion to its scale of business - which, effectively, is an irrevocable financial guarantee from a bank or insurance company to pay over the bond to the CAA if the company goes bankrupt.

Should a company fail, then the bond will help customers abroad complete their holiday or journey and will recompense customers at home.

Annual renewal of the licence is not a formality and the licence can be withdrawn from a company with a worsening financial position.

The row erupted earlier this year when three small incentive travel operators went bankrupt without being in possession of a bond. The result was that companies which had booked incentive programmes with these operators lost money.

The problem facing many small operators, however, is that tying up a large proportion of their cash flow in the form of a bond which may never be needed can put them under financial pressure. A bad debt from a client company in these circumstances can force such operators into bankruptcy.

Mr Tonnison of The Travel Organisation is among those incentive travel organisers who believe an ATOL bond is essential to maintain confidence in the sector. "While ATOL is not the perfect answer, it is the best available at the moment." Mr Cuff and others, however, are not certain that an ATOL bond is the right answer since it does not necessarily cover the type of travel business organised by many operators. "Given that few incentive programmes are based on contract fares, it follows that even if all incentive travel companies held ATOL licences, the protection offered would be small," points out Mr Peter Loynes from CID Incentives.

One way out of the dilemma is for client companies to insist on a closer scrutiny of an incentive travel operator's finances before agreeing a programme. Other pressure may come from the Civil Aviation Authority itself which is trying to stamp out the practice known as "umbrella-ing" - where a tour operator uses another operator's ATOL licence.

It would be unfortunate if the incentive travel sector's growth prospects are marred by further incidents of operators going into liquidation without any recompense to their corporate clients. Certainly, there can be little doubt of the strength of demand in the 1980s for the services offered by incentive travel organisers.

The industry is growing by 20 to 30 per cent a year, although accurate statistics are hard to come by because the sector is split between conference and incentive travel. The distinction between the two is not always obvious, however. Many companies use the pretext of a sales conference in some exotic destination or cruising in the Caribbean as a means of rewarding key personnel. Others are more straightforward and offer a trip as an incentive to employees to achieve certain sales targets.

In addition, there are trips both within the UK and abroad to attend legitimate conferences and exhibitions: the fact that it is being held in Bangkok is, so it is argued, largely incidental to the fact that the conference has to be attended.

Given this broad definition of the market, the problems of calculating its size are obvious. Organisers of specialist incentive programmes estimate the market to be worth about £250m a year - although this is probably an underestimate since it does not take account, for example, of incentive rewards such as package holidays bought direct from a tour operator.

The conference element is equally hard to estimate. While some £1bn a year is reckoned to be spent on conferences and exhibitions in the UK, this also is likely to be an underestimate since it does not include the small conferences held by companies in hotels. Moreover, when the amount spent on international conferences is taken into account, the true size of the industry becomes more apparent.

The conference and incentive travel business, however, remains a very fragmented industry. It ranges from single-person operations through to the world's major airlines and hotel chains.

British Airways, for example, has increasingly become involved in incentive travel over the past few years. "What we do as an airline has a tremendous effect on the incentive travel industry," points out Mr Roger Freeland, a senior conference and incentive executive for BA.

"For example our recent introduction of a one-stop flight to Sydney has opened up Australia to the incentive travel world. People are now beginning to think of Australia as a viable destination because the time element has been so much reduced."

The key element behind the growth of the conference and incentive travel market has been motivation. After a certain level of financial remuneration, extra pay ceases to motivate sufficiently. Even though international travel may actually be less enjoyable in reality, it is the image of a trip abroad that can act as a real spur.

Many incentive programmes, moreover, usually include the spouse in the scheme on the basis that further pressure on the domestic front will cause the executive to perform even better.

Companies which have traditionally used travel as an incentive have been those in industries where selling is paramount: insurance, cars and pharmaceuticals. But an increasing number of other companies now use travel as an incentive.

HP Bulmer, for example, gave a winning sales force team of seven executives and their spouses a cruise on a luxury yacht - through a company called 'Yachting Partners' - in the Mediterranean.

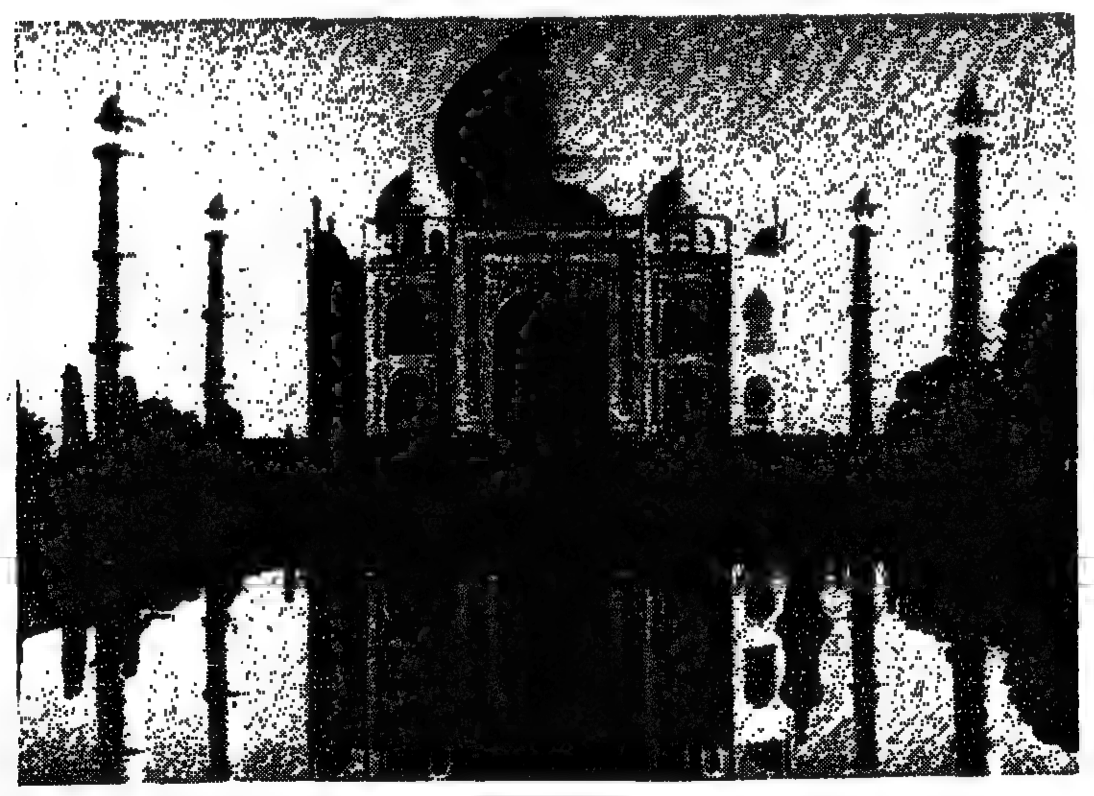
"The yacht was a superb motivator for the sales force," says Mr Fearghal Collins, Bulmer's general sales manager. "Out of the total package of incentives that we offered our sales force, the yacht was perceived as the one they wanted to try for most."

Companies are looking, increasingly, for different types of trip to offer as an incentive. Sailing down French rivers in the luxury barge Fleur de Lys - complete with heated swimming pool - is a popular incentive prize, according to tour operators Abercrombie and Kent.

Incentive travel can be closer to home: the nostalgic era of steam trains can be recreated on the Royal Scotsman which can be chartered for a special six-day tour round the highlands of Scotland.

But for many, it is the long-distance destination which offers the greatest lure. Hong Kong and Singapore, for example, are battling it out to offer the best deals for incentive trips to the Far East. Not only do they offer attractions in their own right, they are also useful places to spend a few days in before going further east.

Two destinations already shaping up to being the "in" places in 1988 are Australia - because of the bicentennial celebrations - and the Olympic Games in Korea. Florida continues to grow as a long-haul destination, with Disney World as the prime attraction.



Hotels will do almost anything to keep conference and incentive guests happy

Quizzes, barbed wire and fortune tellers

THE CRACKLING loudspeaker in the ballroom of London's Hilton Hotel in Park Lane at the recent PR week awards ceremony drowned the words of compere Lance Percival and irritated many.

"There are 600 senior marketing and public relations people here tonight, some of whom will not be impressed by a poor sound system," observed one marketing man. "It might not be anyone's fault but you simply cannot afford to make mistakes in the competitive hotel business."

Hotels of all shapes and sizes in the UK and throughout the world are well aware that conference and incentive travel business is a vital part of their market and is ignored at their peril. Not surprisingly, competition is fierce and hotels will seemingly do anything to keep conference and incentive guests happy.

Holiday Inn's new hotel in Malta, for example, will this year have been transformed into a television quiz games studio, a miniature Olympic stadium, and a military battlefield at the request of various conference organisers.

Rorer Pharmaceuticals was the company seeking a military theme for its sales conference. Holiday Inn arranged for battle dress costumes, barbed wire fencing around the complete hotel, and a military brass band.

Amersham International Medical based its conference around a quiz game theme - with electric lights and buzzers - while next month two other pharmaceutical companies, Smith Klein and French Pharmaceuticals, are creating a miniature Olympics with games and competitions.

The importance of the conference and incentive travel business to hotels is emphasised by Inter-Continental Hotels, part of Grand Metropolitan. "Conferences and incentives now account for over 7 per cent of our business worldwide and we expect that figure to increase to nearer 10 per cent by the end of the decade," believes Mr Richard Hodgson, European marketing director for Inter-Continental.

"The incentive market is highly competitive and you have to offer something special," points out Ms Julia Camp, regional sales director for the Mandarin Oriental Hotel Group.

The "something special" offered by the group, she adds, "is the opportunity to stay in hotels which have consistently been acclaimed as the best in the world".

The Mandarin Oriental in Hong Kong, for example, was recently voted the best hotel in the world by readers of Business Traveller magazine. Its sister hotel - the Oriental in Bangkok - was again voted top by Institutional Investor magazine, an award it has won every year since the poll started in 1980.

Mandarin Oriental's newest Asian hotel - the oriental in Singapore which opened in February - has already secured incentive business worth £250,000 from Ford Parts and Service operations in Europe. Some 1,200 Ford delegates from all over Europe will be staying at the hotel during the last quarter of this year.

But while hotels in the Mandarin Oriental Hotel Group are among the most exclusive in the world, even they have to change to meet the needs of the incentive market and offer special theme parties. The oriental in Bangkok, for example, offers a "village party" where the hotel restaurant is transformed into a traditional Thai farming village with guests wearing village clothing.

The up-market Regent International chain of 12 hotels also tailors its activities to the needs of the market. "An 'incentive package' is much more than just the best accommodation and service," comments Ms Valerie Le Moignan, UK sales director. "Imagination and creative planning by the hotel with the client is essential. Our themed evenings include Rose Balls, fortune tellers, Australian bush bands, and classical music - all ingredients for a successful incentive programme which will achieve the clients' objectives."

The Marriott and Hyatt hotel groups are two other leading international hotel chains which compete strongly for the conference and incentive traveller.

Trusthouse Forte also operates a special incentive voucher scheme, called Leisure Cheques, which are used by many companies as a motivator and reward system. These cheques are available in different amounts and are redeemable in almost all THF's hotels throughout the world. Their attraction is that they enable an individual executive to choose when and where to stay at their own convenience.

But the large hotel groups do not have it all their own way: smaller hotel chains are also fierce competitors, catering especially to the trend for small conferences and meetings.

Copthorne Hotels, part of British Caledonian airlines, has played host to a number of large companies - ranging from Mars and GEC through to ICL and Westmoreland Helicopters - who want smaller meetings.

"Copthorne's hotels are medium-sized properties, which are committed to detail and personal service," says Mr Peter Brainch, Copthorne's vice-president for development and marketing.

"On average, 'small' meetings comprise about 40 people. With this in mind and keeping the concept of providing personal service, Copthorne's meetings and conference facilities are tailor-made to the clients' needs and those of the destination."

London's newly-opened St James Court Hotel is also proving to be a popular destination for small groups. Ford in the US, for example, recently brought over 100 of its top managers to a conference at the hotel. Apart from its central location, Mr Robert Tether, sales and marketing manager, claims the hotel has "a number of facilities to offer above and beyond our competitors - including a tranquil garden situated in the heart of the hotel".

The Thistle Hotel group is another company keen to develop the conference and incentive travel market. It operates a flexible voucher scheme called IncentivePlan, similar to THF's Leisure Cheques, and all its 30 UK hotels now have a facsimile machine for guests' use.

Luxury country house hotels are a growing trend in the conference market and as weekend break incentives. Pride of Britain is the marketing organisation for some 24 of these country house hotels.

David Churchill

Conferences

UK is second

LONDON last month got a new £3.5m purpose-built conference centre - tangible evidence of confidence in the growth of the UK conference business.

The new conference venue was opened at the Olympia exhibitions complex in West London but can also operate independently.

"We decided to build the conference centre because of the clear need in London for an attractive meetings unit which can also provide ample exhibition space alongside," says Mr David Fasken, managing director of Earls Court & Olympia.

"We believe there is a shortage of space in London for the exhibition-led conference and the conference-led exhibition," he adds.

London was for many years the city that everyone wanted to come to for a conference - because of its obvious attractions as one of the world's leading capitals. But, frequently, international conferences went elsewhere because of the lack of adequate facilities.

In the last decade, however, this has changed - not only in London but throughout the rest of the UK as new facilities have come on stream.

According to figures presented at last year's Congress of the European Federation of Conference Towns, the UK is now the second most popular destination for major international association meetings.

Mr Ghislaine de Conninck, conference director for the Brussels-based Union of International Associations, told the congress that in 1985 the Union recorded some 6,232 international association conferences - a rise of 13 per cent over 1984.

Of the 1985 total, 3,952 were in Europe, 1,181 in the Americas, 659 in Asia, 243 in Africa and 128 in Australia. (A few conferences went to unspecified destinations.)

Although the US (with 706 conferences) was the top country of destination for such conferences - because many associations are based there - the UK moved into second place with 598, edging out France. West Germany, Switzerland, Belgium, Italy, the Netherlands, and Austria came next in order of popularity.

But Paris emerged as the most popular city for these international conferences with 274 meetings, ahead of London with 238. Next came Brussels, followed by Geneva, Vienna, West Berlin, and Rome. New York, the most popular venue for international conferences in the US, only came eighth in the world rankings.

Although they are relatively few in number, these international conferences are much sought after because they bring high-spending executives and considerable prestige. The World Congress of Gynaecologists, for example, was reported to have spent an estimated £1m in direct costs in six days in West Berlin last year - not counting the extra revenue generated in shops and restaurants in the city.

The buoyancy of London and the UK in the international conference markets took a knock last year when the Americans decided to boycott Europe in the wake of the Libyan bombing and Chernobyl incidents. The numbers of visitors from North America plummeted by an alarming 50 per cent in the immediate aftermath of the incidents - although by the end of the year the market had largely recovered in terms of actual visitors.

The implications for the UK conference market, however, are still being felt. "The group and incentive market has not fully recovered from last year's events," points out Mr Robin Lees, director of the British Hotels Catering and Restaurants Association. "Because these tours have to be put together at an early stage, they are not likely to be back in force until next year."

Many international conferences and special corporate and group trips are booked at least a year in advance - in some cases the lead-time is several years. Thus fears of terrorism last year could have repercussions for years to come.

However, the London Visitor and Convention Bureau reports that inquiries and firm bookings for group travel have picked up considerably this year. Many in the travel trade believe that the American organisers of major conferences are too sophisticated to be put off by the scares of last year and know that London and the UK remains a leading destinaton.

Mr Frank Kelly, head of international relations at the British Tourist Authority, points out that "most Americans have been here before and they know we have a lot to offer".

London's popularity as a conference destination encouraged the British Government to build the Queen Elizabeth II conference centre in Westminster which opened last year. The aim of the centre is to provide substantial conference facilities for meetings of world leaders - although the centre is also being used by a range of commercial customers.

Earlier this year the Wembley conference centre upgraded its facilities to keep up with rising demand and next year a new conference and exhibition centre is due to open at Alexandra Palace in North London.

Outside London the National Exhibition Centre based near Birmingham has plans substantially to increase its capacity over the next few years. The new G-MEX centre in Manchester is another regional venue competing for international and domestic business.

Although there is a clear demand for large-scale meetings - the NEC housed the recent British Telecom shareholders meeting - there is also a trend in the conference world towards smaller-scale meetings in hotels or small conference venues.

Similarly, the development of technology has made video-conferencing a realistic and cost-effective alternative to actual travelling to conferences. British Telecom International offers a number of services, such as Face-to-Face videoconferencing which enables interactive meetings to take place in several different countries at the same time.

David Churchill

Destination: Tuscany

Villa La Ferdinanda

A VILLA with "all the delights which an important man could desire before he went game-hunting", was the brief that Ferdinand de Medici gave his architect in 1587. Whether Renaissance genius Buontalenti fulfilled these requirements can be judged today by important men and women taking time away from high-pressure business for some revivifying R and R in rural Tuscany.

The farmlands and woods of Artimino, high in the Tuscan hills, were acquired in the sixteenth century by Cosimo I, Grand Duke of Tuscany. It was his son, Ferdinand, who, impressed by the beauty of the countryside, decided to build a villa there on his coronation.

The Villa La Ferdinanda, characterised by innumerable chimneys like dovecots bristling from its shallow roof, has a commanding view of a landscape almost unchanged since the days when the Medicis held sway.

Today the villa, also known locally as the "villa of the hundred chimneys", caters for the new dynasties; hosting congresses, conferences, meetings and banquets for companies from all over the world. A buffet for 4,000 can be accommodated, or a sit-down lunch for 3,000.

There are six conference rooms for 300 participants and 24 rooms to hold meetings of 10-50 people.

Facilities include simultaneous translation, closed circuit television, full audio visual equipment and cat-walks for fashion shows. The villa's kitchen prepares dishes from Renaissance recipes as well as more typical Tuscan fare. There is a magnificent cellar in which tastings of the mellow local wines can be arranged in the shadow of monumental barrels.

Accommodation (80 beds in all) is in La Paggeria Medicea, a long two-storey building which once housed the servants of the great family. Original terracotta brick floors and wooden beams have been retained in rooms at once rustic and sophisticated. Meals are taken in another converted grand building of the estate, the Biagio Pignatta restaurant which offers excellent al fresco dining in the landscaped grounds.

Tuscany has, justifiably, an international reputation for both its food and wine. Health-conscious guests, attempting to beat the worst effects of over-indulgence, can be seen jogging round the grounds or playing tennis on the hard courts. There is a nearby lake for both swimming and fishing.

A swimming pool had been planned for the hotel but initial excavations revealed evidence of Etruscan settlement and work had to be stopped. The site is virtually littered with remnants of the areas's early inhabitants and the grounds contain ruins of an Etruscan village and necropolis. Some of the more portable finds are housed in the villa's basement archaeological museum.

An excellent rail service from a nearby village connects Artimino with Florence. Nearer still is Vinci, home of Leonardo, a short drive across switchback hills of lavish beauty.

But only a five-minute walk away down a sweeping avenue of trees is the beautiful, faintly mysterious hamlet of Artimino, a huddle of broad, honey-coloured buildings with secretive little windows. Artimino, its entrance arched beneath a clock tower, has two treasures: a sturdy Romanesque church and Delphina's.

A pretty, white-haired lady in her eighties, Delphina is a bit of a bully, according to her sons, in the kitchen of her restaurant which is converted from a handsome farmhouse. But to the customers, canonisaton would not be good enough for her.

Annalena McAfee

Destination: Paris

Extra allure

PARIS HAS some matchless advantages. It is the closest of the sophisticated city destinations; it has, in the jargon of the trade, the most attractive (cheap) airfares and it has a more varied collection of hotels, restaurant and "leisure opportunities" than almost any other city.

It has really only one disadvantage: for today's increasingly well-travelled company person, Paris may already be so familiar that the prospect of three or four days whooping it up down the boulevards may not be quite exciting enough.

The companies specialising in incentive travel, like Travel Awards which is one of the top three, are well aware of the problem and are increasingly building into the Paris packages the kind of allure that even the most world-weary will find attractive.

High on the list of extras, is the highly exclusive St James's Club, newly-ensconced in a grand turn-of-the-century chateau barely a stone's throw from the Avenue Foch.

Paris still has incomparable night-life to offer. Many an incentive tour operator will put into the package an evening at one of the most sophisticated floor shows in the world. As for eating out, even the most jaded of appetites can usually be guaranteed to be awakened by a few pertinent arrangements to take in the restaurant life of the city.

The grand restaurants are well-documented, nevertheless a visit to some of the current temples of haute cuisine - Robuchon, Taillevent, Le Grand Vefour, Carre des Feuillants, Lucas-Carton - can be a powerful incentive.

For those groups on a lower budget, Paris still abounds in brasseries and Bistros de Quartier. Places like La Coupole in Montparnasse, the Vaudeville in the Rue Vivienne and the Brasserie Lipp, remain matchless places for people-watching and taking in the panorama.

Then there are the Bateaux Mouches which are among the best floating restaurants in the world. They are ideal for incentive travel groups since they can cope elegantly with large numbers all at the same time, they provide superb food, the views of the city that a glide along the Seine provide are incomparable, and the boats can usually be persuaded to pick up their customers at points that fit in with the schedule.

For really grand dinners, there are any number of fine chateaux within an hour or so's run from the city - a dinner, for instance, laid on in the Orangerie in the Palace of Versailles never seems old-hat.

When it comes to hotels, Paris is hard to fault. There is sometimes a problem with booking in really large groups - tour operators often have to use the Meridien and the Concorde Lafayette. Both are conveniently, if unromantically, situated close to the Palais de Congres and offer the modern convenience of large, well-equipped rooms.

The Grand, near the Opera, is likely to be a good new addition to the list - not only is it more centrally located but it has tradition and a charm with which it is hard for even the most luxurious of new hotels to compete.

Paris is wonderfully supplied with luxury hotels - Travel Awards have found that there is nothing like a few nights lapped in the kind of luxury that the Bristol, the Crillon, the Plaza Athenee or the George V have to offer.

Lucia van der Post

Eating out in Hong Kong is a way of life - just one of the attractions

Exoticism that guarantees a buzz

HONG KONG is one of the world's leading incentive travel destinations --it was voted the number one destination in a recent poll of 100 specialist incentive travel organisers.

Even with the threat of 1997 hanging over the colony - when it will be handed back to China - Hong Kong is still supremely full of confidence about its future and its attractiveness to international business travellers.

The attraction of Hong Kong is firmly based on its exoticism. It is a city teeming with life and activity, offering the visitor a breathtaking array of choices of restaurants and hotels, shops and excursions. At night the city comes alive with thousands of neon signs and lights from the towering office buildings and apartment blocks.

Incentive travel organisers rate Hong Kong so highly simply because they know it provides a "buzz" not only to executives going on trips but to their spouses as well. There is literally nowhere quite like it in the world.

"Nowhere motivates more than Hong Kong - it is a place that exists on incentive," points out Ms Jenny Salsbury, assistant manager of the London office of the Hong Kong convention and incentive travel bureau.

"When a sales force on an incentive trip arrives in Hong Kong, they receive a top quality holiday as a reward, while seeing at first hand how an incentive economy operates," she adds.

Even if Hong Kong's bustling lifestyle begins to pall, it still offers the advantage of being at the crossroads of the Far East.

At night the city comes alive with thousands of neon signs and lights from the towering office buildings and apartment blocks.

"We provide the incentive organiser with an unrivalled choice in the Far East," says Mr John Moxey, UK manager for Cathay Pacific, the Hong Kong-based international airline.

"Groups can fly to Hong Kong and then take either post or pre-convention tours to any one of the 19 destinations in the Far East served by Cathay." The most popular of these "add-on" trips are to Bangkok, Manila, and Penang.

Cathay's bid to win the incentive travel business means that it guarantees its fare prices for up to two years in advance for those who need to book early. Its incentive approach also means that groups can book seats in advance so that they sit together, and menu cards and other gifts can be over-printed with a company's logo if required.

One factor that makes Hong Kong so attractive to incentive organisers is the quality and range of its hotels. Apart from top hotels like the Mandarin Oriental (recently voted the best hotel in the world by readers of Business Traveller magazine), Regent, Peninsula, and Shangri La - to name but a few of the many luxury hotels in the colony - there are many more budget priced hotels.

The Excelsior in Hong Kong, part of the Mandarin Oriental Hotel Group, is one of the most popular hotels for incentive business, accounting for more than 50 per cent of its overall capacity.

"I estimate that we have had some 17,000 incentive visitor nights this year, giving us more than HK$11m in revenue from the incentive travel market alone," points out Mr Glen Farmer, the Excelsior's general manager.

The Hong Kong Regent hotel - voted number two in the world by the American Institutional Investor magazine this year - was the choice of the Allied Dunbar group earlier this year.

"Special programmes were prepared, and the superb dining room was completely redecorated to create a themed evening," comments Mr Patrick Purdon, convention director of Allied Dunbar. "It was the first time that I have ever encountered such an exceptionally high level of service."

Allied Dunbar's satisfaction with Hong Kong is mirrored by many other companies. Last year there were some 462 conferences and exhibitions held in Hong Kong, an increase of almost 10 per cent over 1985. These events generated some 71,400 delegates, an increase of just over 8 per cent on 1985.

The number of incentive groups visiting Hong Kong last year rose even faster. There were some 335 such groups - a rise of almost 40 per cent on 1985 - with 35,700 participants, an increase of 29 per cent.

Such buoyancy in recent years has led to the building of a new purpose-built convention and exhibition centre which is due to open next autumn. Located in the Wanchai district on Hong Kong island, the centre will offer the latest in conference technology within two major halls, each 9,100 square metres in size. Among other amenities the centre will offer are simultaneous translations, together with full back-up in VIP suites and press rooms.

Perhaps the real key to Hong Kong's attraction for the conference or incentive visitor is the range of eating places. Eating out in Hong Kong is a way of life - from the richest to the poorest, everybody eats out. At one end of the scale are top hotel restaurants such as the Pierrot in the Mandarin, ranging through to literally thousands of chinese restaurants, offering a complete range of specialist Chinese cuisine.

David Churchill

Destination: South Korea

Hurry for Olympics

NEXT SEPTEMBER Seoul, the capital of South Korea, will host the 1988 Olympics. A few peripheral events might be held in North Korea, but the bulk of the 23 sports are concentrated in the South, the great majority in Seoul itself, which for the first time should become an incentive travel destination. What can it offer the visitor?

Until recently, South Korea has had an authoritarian government which has ensured that the preparations for the Games have gone ahead with despatch. An Olympic Park has been constructed about eight miles from the centre of Seoul and imaginative stadia built for gymnastics, fencing, weightlifting, and tennis - a new sport at the Olympics. A swimming pool is also emerging here.

Alongside is the village for the athletes and the press, who will be housed in tall blocks of flats. The Olympic Stadium for the athletics events is about two miles away. There are fine modern facilities and excellent viewing opportunities. The suburban setting still retains just a hint of the past. The park is on the site of an ancient burial ground and the mounds have been left to add a touch of mystery to the modern architecture.

South Korea is expecting 200,000 foreign visitors to the Games, and they will be channelled into hotels; Yogwans (Korean inns which give a flavour of oriental living by, in theory, offering little more than a mattress); the equivalent of bed and breakfast in Korean homes; and in the Village itself.

So on the surface all is proceeding smoothly. But what is Seoul, and Korea, like? Does it offer an incentive?

The city is modern, with wide boulevards directing a constant stream of traffic into extensive one-way systems. At first you wonder where all the people live until you see pockets of red roofs on the sides of the hills which decorate the city with attractive panoramas. But, in the main, the centre is given over to shopping, to administration, to museums, to commerce, and to hotels.

Traditionally, the smart hotels - the Lotte, the Plaza, the Westin, clustered together near the City Hall. Now they are spread. The best is the Hilton, followed by the Hyatt, slightly off the centre. But be quick - all the first-class hotels are almost fully booked.

Fleets of cars will be supplied to take visitors to the Olympics from their central hotels. Over 20 new hotels are being constructed nearer to the actual site of the Games but you would find yourself stranded at night, away from the action. Taxis are cheap in Seoul but there is a complicated two-tier system, with the yellow and green cruising taxis usually occupied while the more expensive beige taxis have to be called by phone.

South Korea next September should provide sufficient incentive to any executive. The weather should be perfect - intense blue skies, but a cooling breeze; the place proud of its modern comforts but with a strangeness just below the surface; efficiency with courtesy.

There are some difficulties. Seoul is not geared to cope with a mass of foreign tourists, and unless you can decipher Korean script it is hard to dive into the local life. Even recognizing bars and restaurants can be a problem and, when inside, choosing from incomprehensible menus is a doubtful thrill.

The smart hotels often serve everything but Korean cuisine, which is a pity. But any visitor must try kimch'i - the national dish of cabbage or turnip soaked in garlic and available from breakfast - and soju, the local spirit. It may require a dive down a side street and into a local restaurant, too, but the rewards could be the highlight of the trip. The Koreans, strong on pride and ceremony, are inclined to offer visitors only what they consider the best - which can mean meals of beef and French wine.

It looks as if this Olympic Games will be free from political walk outs - with the probable exception of North Korea. The South Korean Government will impose tight security to prevent any disruption of an event which is designed to celebrate the country's arrival as a major Asian power. If it can do this without making life too uncomfortable for the visitors, then early autumn in Seoul should be a memorable experience.

Information can be obtained from The Korea National Tourism Bureau (Telex KOTOUR K28555; Tel (Seoul) 010822 757-5988). Sportsworld Travel, 320 Old Brompton Road, London SW5 9JH, is registered as the official agent for the UK.

Antony Thorncroft

Destination: Barbados

Hottest spot in Caribbean

WHEN COLT Mitsubushi wanted to provide an incentive for its UK car dealers last year it decided to break with its previous policy of choosing short-haul incentive destinations and chose instead to go to Barbados.

It was a move which has been followed by an increasing number of companies both in the UK and US - companies such as Peugeot Talbot, Kodak, Kidder Peabody, Dun and Bradstreet, and Canadian insurance group United Investment Services.

What all of these companies had decided was that Barbados looked to be the most attractive Caribbean destination for an incentive trip.

Other Caribbean islands clearly have their admirers, but Barbados' unique history in the Caribbean - it never changed hands, unlike its neighbours, after the English first landed in 1627 - gives it an edge for incentive organisers taking executives away for a few days.

While holidaymakers usually find the uncertain electricity supply and indifferent service on other Caribbean islands "charming" - after all, they are on holiday - Barbados stands alone for the quality of its infrastructure. Bus services are plentiful, the phones work, and the standard of literacy is higher than anywhere else in the Caribbean (and a few other places as well).

Barbados, a flattish island measuring only about 21 by 14 miles, is carpeted by sugar cane fields and has some of the best beaches in the Caribbean. It is the beaches which have helped Barbados switch its economy away from heavy dependence on sugar cane to develop tourism, although the country also has a growing light manufacturing industrial sector.

The attraction of Barbados lies beyond its temperate climate - ranging between 70 and 85 degrees Fahrenheit - to encompass historic churches, picturesque local festivals, cricket matches, horse races, and folk dances. Native Barbadians - called Bajans by the islanders - are among the friendliest in the Caribbean.

In the 1950s, Barbados had little in the way of international hotels to lure visitors: It had some 30 hotels representing about 700 beds. Now, however, there are almost 180 properties, representing some 15,000 beds.

Leading hotels are Trusthouse Forte's Sandy Lane Hotel, Marriott's Sam Lord's Castle, and Copthorne Hotel's Heywoods complex.

Heywoods, which is a joint venture between the Barbados Government and Copthorne, is hidden amidst 30 acres of tropical gardens about 15 miles north of the island's capital, Bridgetown.

Heywoods is particularly popular with incentive travel organisers for several reasons. It is on the more sheltered west coast of the island, for example, which makes it better for watersports than the Atlantic-facing east cost. (Sam Lord's Castle is on this side.)

Heywood's 306 rooms, moreover, are spread over seven different buildings, which provide a variety of options for incentive organisers.

Colt Mitsubushi took over the entire complex - which includes a nine-hole golf course and five floodlit tennis courts - for its 350 dealers. Because of the excitement generated by the incentive trip, those dealers who failed to reach the required sales targets were able to buy their way into the trip.

While most American groups to the island stay only five days - because of the shorter flight times from the US - the average length of time people stay from the UK is seven days. This was decided to be the length of the Colt trip to Heywoods. The cost per head of about £850 was considered value for money by both the company and those lucky enough to go on the trip.

David Churchill

Destination: Africa

Smart safaris

WITH PLACES like Cairo, Nairobi and Mombassa all less than a day's flight away, Africa, and the safari, is increasingly attractive for the incentive travel business.

Kenya has the most developed and sophisticated on the ground support systems. Abercrombie and Kent, for example, has been operating there for 25 years, owning a large and efficient fleet of their own vehicles and the tented camp at Kichwa Tembo. In addition, through Signet Hotels, they have access to the Aberdare Country Club, the Ark and the Mount Kenya Safari Club.

Nairobi has some very sophisticated hotels - apart from the Stanley and the Norfolk, still tangibly hung around with the left-over romance of the Big White Hunter legends, there is the Nairobi Safari Club which is very swish indeed. Then there are the large, new modern hotels like the Hilton and the Intercontinental which offer the predictable comforts and are also able to cater for very large groups.

Most of the Nairobi hotels are well able to stage the theme nights which have become part of the travel incentive scene, and they are perfectly placed for setting out for the safari.

The safari circuit in Kenya is conveniently arranged so that large groups can easily be split up into three or four smaller groups to see the animals, without losing contact with each other for too long. Meeting up for gala dinners, prize presentations and the like can easily be arranged later.

Trips down to the Masai Mara is always popular and this, too, is within easy reach of Nairobi. If the programme is to be longer than four or five days, it is always possible to add in exciting extras like hot air ballooning or link the holiday in with some days at the coast. Mombassa is the traditional resort that works in well with Nairobi - hotels like the Intercontinental at Nyali Beach have all the facilities for incentive groups.

For an even greater sense of exoticism a trip to Kenya and Nairobi can be linked in with a few days in the Seychelles: they offer an almost perfect climate most of the year round, excellent hotels (there is already a Sheraton and next year should see the opening of a new Inter-Continental), good food and everything the holiday-maker needs for real relaxation.

Another option increasingly being looked at is Mauritius - again it offers a good climate for most of the year (a couple of rainy months are the only times to avoid). As in the Seychelles there is not too much in the way of sight-seeing but there are schooner trips, plenty of deep-sea fishing and windsurfing.

Other areas in Africa are making a bid for some of the business that used to go to South Africa. Zimbabwe, with its new Sheraton Hotel in Harare, is particularly keen to attract this lucrative market, but, for the moment, the big players do not feel they quite have the infra-structure needed.

Egypt, however, is a real contender in the competitive world of incentive travel. Cairo has almost too many hotels - these days the deviser of group packages can choose between the Marriott, Sheraton, Meridien and many more. Apart from the sights in Cairo itself, or within reach of the city, there are the hotel boats which are very well run.

Alternatively, a three-day stay in Cairo can be linked with a flight to Aswan with wonderful things to see - the Valley of the Kings, the Valley of the Queens, the Temple at Karnac, the Temple at Luxor. The possibilities have scarcely been touched on and many specialist operators see Egypt as an almost limitless source of exciting packages.

Lucia van der Post

COMMODITIES AND AGRICULTURE

Rubber pact proves its resilience

On the day that the first International Rubber Agreement expires, Wong Sulong looks at the prospects for its successor, due to come into effect next year

THE FIRST International Natural Rubber Agreement (Inra I) expires today after seven years in operation. Like the commodity it serves, the agreement has proved its resilience, emerging as one of the more successful commodity pacts.

Thanks to prices breaching the "may sell" level last month Mr Aldo Hofmeister, the buffer stock manager, has been able to unload as much as 10 per cent of his huge stockpile, demonstrating to consumers that the agreement has not merely been a subsidy scheme for producers. "It shows Inra is not just a one way street" says Mr Hofmeister.

That augurs well for Inra II, which is expected to come into operation in about a year's time.

Just two years ago, however, there were doubts about the survival of the rubber pact, following the sudden collapse of the tin market.

Like the International Tin Council, the Kuala Lumpur-based International Natural Rubber Organisation, aims to stabilise prices within an agreed range through the operation of bufferstock, buying when prices are too low and selling when they are too high.

For a while, it looked as if Inro was heading the same way as the ITC. Steady expansion of rubber planting, particularly in Indonesia, Thailand, China, and India, led to an excess supply situation in 1984-85.

Inro's BSM had to enter the market to buy, and within 18 months he had accumulated a staggering stock of 370,000 tonnes at the cost of nearly US$300m.

The reference price to which "buy" and "sell" triggers are linked was revised downwards twice, each time resulting in friction between the 32 producer and consumer members.

Consumers complained about *the high cost of financing the* stockpile. Confident of plentiful supplies, they became less sympathetic to the plight of producers caused by depressed prices, particularly after the tin market collapse and when evidence emerged to show that the Malaysian Government was involved in a secret buying operation to try to corner the tin market.

On the other hand producers, particularly Malaysia, became disenchanted with commodity pacts in general, accusing consumers of abandoning the spirit of co-operation that marked commodity negotiations during the 1970s.

Inro council sessions during 1984-85 were difficult and politicised. The first buffer stock manager, Mr Harvey Adams of the US, quit in frustration halfway through his term when he found he was caught between conflicting demands of producer and consumer members.

It took more than two years and four rounds of negotiations before Inro members agreed on Inra II in Geneva last April.

While the collapse of the tin agreement had soured consumers' attitudes, producers were negotiating from a position of weakness because rubber prices were depressed. So they had to give up hopes of an increase in support prices and settle for an unchanged reference price at 201.66 Malaysia/Singapore cents a kg.

A major change in Inra II is the mechanism for a minimum 5 per cent automatic price revision whenever the average market price during the six months preceeding a price review has been outside the range between the BSM's "must buy" and "must sell" trigger levels.

All borrowing provisions were deleted from the rubber agreement at the insistence of consumers, fearful of a repeat of the tin fiasco.

During the interregnum before Inra II comes into force, the BSM is authorised to sell as much rubber as he deems fit as long as he does nor disrupt the market.

He has to sell at least 2,000 tonnes a month to raise funds for the maintenence of his stockpile and the running of the Inra headquarters.

Mr Hofmeister says his main job is to ensure that the rubber price, now around 238 cents a kilo, does not breach the "must sell" level of 242 Malaysian/Singapore cents.

Traders have expressed surprise that despite the heavy BSM sales, the rubber market has held firm, reflecting the strong fundamentals.

In contrast to the surplus situation two years ago, supply and demand is in rough equilibrium. Periodic production shortages, the continued economic recovery in the developed nations, the steady switch to radial tyres which use more natural rubber, and the strong demand for latex rubber owing to a surge in the usage of gloves and condoms because of the AIDS disease, have all led to the rubber price hitting a four-year high. Natural rubber growers are currently enjoying a mini-boom.

The thinking among most traders is that current prices should be sustainable for the rest of this year, and possibly through the first half of next year.

Tin appeals to begin in Januray

By Raymond Hughes, Law Courts Correspondent

FIVE APPEALS against High Court rulings in the litigation arising from the collapse into insolvency of the International Tin Council will come before the Court of Appeal in the New Year.

Arrangements have been made for them all to be heard in January and February by a court headed by Lord Justice Kerr, which will give a single judgment on the five cases.

Yesterday Lord Justice Kerr fixed January 18 for challenges to judgments striking-out actions in which tin brokers J. H. Rayner (Mincing Lane), a £16m ITC creditor, and Maclaine Watson, a creditor for £6m, sought to make the Council's members liable for its multi-million pound debts.

In each case High Court judges held that the ITC had a separate legal personality and that its members—the UK, 21 other states and the European Community—were not liable.

The ruling in the Rayner case affected parts of claims by other broker and bank creditors of the ITC, as the legal arguments common to all the claims were deployed before the judge.

Lord Justice Kerr said that the other three appeals would not begin before February 8. They are by Amalgamated Metal Trading, an LME broker, against the striking-out of its petition for the compulsory winding-up of the ITC, by Maclaine Watson, against the refusal to appoint a receiver of the ITC, and by the ITC, against an order that it must disclose full details of its UK assets to Maclaine Watson.

In the House of Lords on November 2 the Law Lords will be asked to rule whether ITC documents can be used as evidence in the tin litigation — an issue that arose in an action by two Shearson Lehman companies against Rayner, Maclaine Watson and the London Metal Exchange which is due back before the High Court on January 11.

Boliden in Saudi gold project

BY SARA WEBB IN STOCKHOLM

BOLIDEN, the Swedish mining, metals, and chemicals group, has signed an agreement with General Petroleum and Mineral Organisation (Petromin) of Saudi Arabia to develop the country's first gold mine. Involvement in a second gold mine project in under discussion.

The gold deposit, situated in Mahd adh Dhahab in central Saudi Arabia, is expected to yield about 120,000 tonnes of ore and 3,000 kgs of gold per year.

"We expect the ore reserve to last 10 years — this is a very rich mine, this single mine will produce almost as much as 18 gold mines in Sweden," said an official in Boliden's mineral division.

Boliden is sending a team from its mining and consultancy divisions to Saudi Arabia next month to advise on starting up production at the mine and to have responsibility for the management of the operations. Production is due to start next year.

Still under discussion, however, is where the gold concentrate will be refined. Boliden has offered its precious metals smelting operations in Roennskaer, Sweden, and says that treatment of the Saudi Arabian gold would not interfere with its current plans to reduce production there in order to meet environmental curbs on sulphur dioxide output.

In the meantime, it is hoping for a second agreement with Petromin to start work on another gold mine in which Boliden has a 50 per cent share. Again Boliden is looking for a consultancy role in putting the mine into operation.

US soya growers step up attack on EC tax plan

BY JOHN BUCKLEY

THE AMERICAN Soyabean Association this week issued its strongest warning yet that loss of its markets in the EC through unfair subsidised competition will meet with massive retaliation.

Addressing a conference jointly organised by the ASA and the Agricultural Industry Training Services in London, ASA vice-president Mr James Lee Adams attacked not only an EC proposal to tax internal fats and oils consumption but the heavy subsidies already employed by the Community to encourage use of domestic rather than imported oilseeds.

He pointed out that funding now running at some $4bn a year had multiplied EC oilseed production from 1.8m to 11m tonnes in the last decade, causing a sharp decline in US soyabean exports.

The ASA's main fear, Mr Adams said, was that once it reached 50 per cent self-sufficiency in oilseeds — which would probably happen this year — the EC would move to withdraw its duty free bindings on soyabeans and soyabean meal and establish variable levies to raise the price of imports. The US would then be "out of the European market totally."

If the duty free binding on soya were removed, he said, soyabean meal within the EC would rise to $400 and soya oil to $1,000 per tonne (from about $210 and $370 respectively at present). "That would be devastating," he said, "for the EC's livestock and poultry sectors and to margarine manufacturers."

The ASA recently shelved proposals to take the EC to task under the Gatt over its oilseed subsidy. But Mr Adams reiterated that if the tax proposal resurfaces when EC Ministers meet in Copenhagen in December, a petition will go ahead.

He warned that Gatt proceedings could also start "If the EC does not take drastic and immediate steps to eliminate the oilseed and protein product producer and processor subsidies . . . and cease all efforts to implement a consumption tax on vegetable and marine oils and meal."

"It's time to surgically remove the disease that's stifling US soyabean exports," said Mr Adams, who concluded: "Some people say this will start a trade war. But we realised we are in a trade war . . . we just haven't shot back yet."

Pakistan widens tea imports

BY MOHAMAD AFTAB IN ISLAMABAD

PAKISTAN WILL import $90m worth of tea from four countries under the Government's policy for introducing competition against multinationals.

The Government will allow independent business to take part in the trade as well as Liptons and Brook Bond, which are subsidiaries of Unilever, the UK multinational. But the bulk will be imported through the state-owned Trading Corporation of Pakistan.

Liptons and Brook Bond came in for criticism from the Pakistani Government earlier this year for switching their tea imports from cheaper sources like Bangladesh, Sri Lanka and Indonesia to Kenya, where Unilever owns tea gardens. The switch caused balance of payments problems for Pakistan, which exported hardly anything to Kenya.

On the other hand substantial imports from Pakistan into Bangladesh and Sri Lanka suffered because the loss of tea sales to Pakistan meant those countries were short of foreign exchange.

Contracts have been signed for tea imports valued at $30m from Sri Lanka and $20m from Bangladesh. Deals for Kenyan and Indonesian tea, worth $30m and $10m respectively, are expected to be finalised within days, officials said.

All the four countries have been asked to import Pakistani goods, especially engineering goods, to an equivalent value.

In the year ended June 30, Pakistan imported $142m worth of tea but in 1988 the figure is expected to fall to about $100m because of lower international prices and purchases from cheaper sources.

Tanzanian cotton

ABOUT 60,000 tonnes of harvested raw cotton, worth some £8m, may be spoiled by rain in Tanzania's northern Shinyanga region because it is stored in the open or in crude village sheds, according to Radio Tanzania.

Bumper harvest cuts US apple prices

BY DEBORAH HARGREAVES IN CHICAGO

US CONSUMERS are being urged to eat more apples this year to absorb record harvests from Washington state, the self-proclaimed apple centre of the world.

"We're expecting 25 per cent more apples this year than we've ever had," Mr Chuck Saint-John from the Washington Apple Commission declares. A combination of good weather, improved farming methods and the expension of orchards will mean a rise in fresh shipments to around 70m boxes, up from 55m last year.

This has led to some initial reduction in prices for apples already harvested. A box of roughly 100 top-grade apples is currently selling for $10 compared with last year's $14, but the Apple Commission is hoping prices will bottom out once the harvest is completed and start to rise again into the peak November-December sales period.

Most of the apples produced by Washington state's 4,500 growers are the upmarket Red Delicious variety as well as some Golden Delicious — and Mr Saint-John is confident there will not be a glut of them. "The apple market has always been driven by consumer demand and we've never reached the point of saturation," he states.

In fact, the Commission is currently spending some $1.5m to market the fruit overseas and the UK is one of its top priority markets.

India's iron ore export drive falters

BY P. C. MAHANTI IN CALCUTTA

THE RECESSION in the world steel market has caused a disturbing decline in India's iron ore exports.

During the first four months of the 1987-88 financial year overseas sales have declined by nearly 12 per cent and a worried Government has responded by exhorting all its exporting agencies, official and non-official, to go all out to secure orders for an additional 1m tonnes of ore. It has also promised them assistance in the drive to get this "thrust area" of the country's export promotion campaign back on target.

India has been exporting 30m tonnes per year on average and in 1986-87 the quantity went up to 32.2m tonnes, worth $6m. Japan is India's biggest customer, taking nearly two-thirds of total exports. Other regular buyers include Romania and some other European countries, South Korea and Taiwan in the East. China could become a big buyer because of its policy of expanding its steel industry, but India has so far concluded only minor deals with that country.

Exporters are finding it an uphill task to secure extra orders and are not even sure that sales can be maintained at the previous year's level.

Apart from the external uncertainties there are serious internal constraints standing in the way of large-scale export expansion.

Bulk handling is one problem area—none of the Indian ports where iron ore is loaded can handle the large bulk carriers which Japan uses for carrying iron ore, and that puts the country at a disadvantage compared with rival exporters like Australia and Brazil. The Government has plans to develop suitable facilities at some of the major ports both on the eastern and western coasts of the country but that is part of the long-term strategy to increase exports.

The exporters want reliefs immediately, especially in railway freight rates which they regard as unreasonably high. They are also seeking fiscal relief such as is given to other export industries. The Government says it is considering a suitable package.

A Commerce Ministry official says the Government is also keen to assist the mining industry in the introduction of new technologies so as to improve operational efficiency and ore quality.

LONDON MARKETS

COPPER and aluminium prices yesterday recovered some of Tuesday's dramatic losses following the upturn in world equity markets. Three-month copper added £50 a tonne after Tuesday's fall of £119, and three-month standard aluminium put on £43 a tonne after falling £87.25 the previous day. Dealers said the liquidation on Tuesday was totally unexpected — the LME announced that it had traded a record total of 45,000 lots, compared with the previous record of 27,500 lots a month ago. Yesterday's stronger trend was seen as a technical correction to a heavily oversold market, dealers said. Buying interest in the morning —some from the Far East — helped prices upwards, and in spite some profit taking, the trend was maintained. In contrast, nickel prices continued to weaken on profit-taking, prompted by recent advances to six-year dollar highs. However dealers said that a fundamental shortage of the metal was continuing to provide underlying support. LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.)	+ or —	High/Low
	£ per tonne		
Cash	1940-60	+65	—
3 months	1880-40	+70	—

Official closing (am): Cash 1960-70 (1850-70) three months 1840-50 (1730-50) settlement 1960 (1870). Final Kerb close: —. Ring turnover: 800 tonnes.

99.5% purity	£ per tonne		
Cash	1171-3	+34.5	—
3 months	1092-5	+43	1100/1084

Official closing (am): Cash 1174-6 (1100-02) three months 1095-6 (1015-20) settlement 1176 (1102). Final Kerb close: 1087-8. Ring turnover: 35,850 tonnes.

COPPER

[illegible]

LEAD

[illegible]

NICKEL

[illegible]

ZINC

[illegible]

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]

TIN

KUALA LUMPUR TIN MARKET: Close N/A (17.23) ringgit per kg. Market closed.

GOLD

[illegible]

MEAT

[illegible]

INDICES

REUTERS

[illegible]

DOW JONES

[illegible]

MAIN PRICE CHANGES

	Oct. 21 1987	+ or —	Month ago
OTHERS			
Cocoa Ft. Mar.	£1210.5	+12.0	£1286.5
Coffee Ft. Jan	£1353.5	+14.0	£1298.5
Cotton A Ind.*	73.55c	—0.35	83.45c
Gas Oil Dec.	$170.25	+3.25	$166.5
Rubber (kilo)	66p	—0.5	70p
Sugar (raw)	$178.4w	—1.4	$164.2
Wooltops 64s	508p kilo	......	480p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. w Oct-Nov. y Nov. z Dec. t Nov-Dec. v Jan-Feb.

SILVER

Silver was fixed 16.25p an ounce lower for spot delivery in the London bullion market yesterday at 452.6p. US cent equivalents of the fixing levels were: spot 750.4c, down 33.1c; three-month 766.45c, down 33.85c; six-month 782c, down 35.75c and 12-month 815.4c, down 36.15c. The metal opened at 452½-455½p (748-753c)) and closed at 448-449½p (741-744c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	452.60p	-16.5	737.5c	-14.5
3 months	464.45p	-16.9	753.5c	-14.5
6 months	476.10p	-17.8	—	—
12 months	499.95p	-15.9	—	—

LME—Turnover: 0 (0) lots of 10,000 ounces.

Final kerb close 752-6c.

COFFEE

Good support from the industry by way of price-fixing prevented any further drop in robusta levels reports Drexel Burnham Lambert. In quiet conditions and with a tight trading range value edged higher as industry increased their price levels. The day finished some £14 higher basis January.

COFFEE	Yesterday's close	+ or —	Business done
Nov	1322-1325	+10.0	1322-1309
Jan	1353-1354	+14.0	1354-1343
Mar	1377-1378	+15.0	1376-1366
May	1396-1399	+11.0	1396-1385
July	1410-1414	+05.0	1412-1405
Sept	1425-1435	+10.0	1452-1430
Nov	1440-1454	+02.0	—

Sales: 2797 (3516) lots of 5 tonnes.
ICO indicator prices (US cents per pound) for October Comp daily 1979 109.59 (111.61); 15-day average 110.77 (110.48).

COCOA

Futures gained £20 at the highs but eased toward the close and ended an active day at the mid point of the traded range. Although producers remain withdrawn consumers were a little more interested and both cocoa beans and products were trading, reports Gill and Duffus.

COCOA	Yesterday's close	+ or —	Business done
	£ per tonne		
Dec	1178-1179	+18.0	1185-1170
March	1210-1211	+12.0	1218-1205
May	1232-1234	+15.5	1236-1220
July	1253-1254	+15.0	1258-1240
Sept	1273-1274	+16.0	1278-1271
Dec	1295-1299	+21.0	1305-1290
March	1320-1324	+22.5	1325-1320

Sales: 4779 (4078) lots of 10 tonnes.
ICCO indicator prices (SDRs per tonne). Daily price for October 20 1461.82 (1452.37); 10-day average for October 21 1474.40 (1476.37).

FREIGHT FUTURES

	Close	High/Low	Prev.
	Dry Cargo		
Oct.	1158	1160/1155	1128
Jan.	1350.0	1356/1350	1345
Apr.	1391	1387/1385	1375
July	1180	1180/1175	1165
Oct.	1290	—	1290
Jan.	1340	—	1340
April	1300	—	1300
BFI.	1123.5	—	—
	1105	—	1097.5

Turnover: 1578 (1546).

GRAINS

Talk of Soviet grain purchases from the US prompted further buying on the freight futures in line with a firm physical market, reports Clarkson Wolff. The major Gulf/Cont, Nopac/Japan and Gulf/Japan routes were all higher resulting in an 18.5 rise in the BFI, the largest rise ever. Despite profit taking the market held steady to close with good gains.

	WHEAT		BARLEY	
Mnth	Yest'dy's close	+ or —	Yest'dy's close	+ or —
Nov.	109.80	+0.30	105.80	+0.30
Jan.	111.50	+0.10	106.10	+0.30
Mar.	113.60	+0.20	107.80	+0.05
May	115.65	+0.25	109.55	—
July	117.85	+0.25	—	—
Sept.	103.35	+0.35	99.35	—
Nov.	104.50	—	101.75	—

Business done—Wheat: Nov 109.40-9.05, Jan 112.00-1.45, March 113.80-3.50, May 115.55-5.55, July 118.15-8.00, Sept 103.35-3.10, Nov untraded. Sales: 346 lots of 100 tonnes. Barley: Nov 105.50-3.15, Jan 106.30-5.90, March 108.00-7.85, May untraded, Sept untraded, Nov untraded. Sales: 181 lots of 100 tonnes.

Old crop markets firmed in early trading but gains of 50-60p were shortlived and values eased throughout the remainder of the day, although well supported at lower levels by Commission house and merchant buying, reports T. G. Roddick.

LONDON GRAINS—Wheat: US dark Northern spring No 2 14 per cent Nov 95.50, Dec 96.25. US No 2 soft red winter Nov 92.25, Dec 95.00. French 11½-12 per cent Oct 136.50 sellers. English feed fob Oct 110.00 sellers. Nov 110.50/111.00, Dec 111.50/112.00, Jan/Mar 114.50/115.00, April/June 117.50/118.00 buyer/sellers. Maize: US No 3 yellow/French transhipment East coast Oct 134.00 seller.

Barley: English feed Dec 109.52 paid East Coast Nov 108.00/108.50, Dec 109.25/109.75, Jan 110.50/111.50 buyer/sellers, April 116.00 sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices: Feed Barley: Eastern 102.80; E. Mids 103.90; N. East 104.80; Scotland 101.20. The UK monetary coefficient for the week beginning Monday October 26 will remain unchanged.

POTATOES

Although market began on firm note in response to overnight weather, trading £4.00 up on opening call, confidence began to fall by midday. The afternoon saw fall in values, noticable once April fell below £159.00, as disappointment over market inability to hold early gains resulted to nervous selling in fairly thin conditions. Recovered slightly on close, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	92.00	91.50	95.00-92.50
Feb.	103.50	104.0	105.00-104.00
March	92.50	96.0	96.00-93.00
Apr.	158.00	157.0	161.00-157.50
May	170.80	169.80	175.80-171.00
Nov	—	78.0	—

Sales: 1023 (706) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) Nov.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.10-17.15	+0.085
Brent Blend	18.95-19.00	+0.20
W.T.I. (1pm est)	19.95-20.05	+0.20
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	185-188	+1
Gas Oil	166-168	—
Heavy fuel Oil	102-104	—0.5
Naphtha	162-163	+2

Petroleum Argus estimates

SOYABEAN MEAL

	Yesterd'ys close	+ or —	Business done
	£ per tonne		
October	—	—	—
Dec.	132.8-133.5	+2.50	133.8-132.0
Feb.	133.5-134.5	+1.80	133.5
April	133.5-134.5	+1.80	133.5
June	128.0-129.0	+1.25	—
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]

Sales: 18 (201) lots of 20 tonnes.

GAS OIL FUTURES

[illegible]

SUGAR

LONDON DAILY PRICE—Raw sugar $176.40 (£107.00), down $1.40 (up £0.20) a tonne for November/December delivery. White sugar $185.00 down $3.00.

[illegible]

RUBBER

(buyers): Spot 66.00p (66.50p): Nov 67.75p (same); Dec 68.00p (same). The Kuala Lumpur fob prices (Malaysia/Singapore cents per kg) were: RSS No 1 237.5 (236.5); SMR 20 206 (205).

US MARKETS

NEW YORK

[illegible]

PLATINUM 50 troy oz; $/troy oz

	Close	Prev	High	Low
Oct	575.0	571.8	577.0	568.0
Nov	—	—	—	—
Dec	575.7	578.2	—	—
Jan	580.5	581.4	584.5	570.5
Feb	—	—	—	—
April	590.0	592.4	591.0	582.0
July	600.0	602.4	600.0	592.5
Oct	610.5	614.4	—	—
Jan	621.5	625.4	618.0	618.0

CHICAGO

[illegible]

SPOT PRICES: Chicago loose lard 14.00 (same) cents per pound. Handy and Harman silver bullion (743.00) cents per troy ounce. New York tin [illegible] (321.00) cents per pound.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar more stable

THE DOLLAR enjoyed a period of relative stability yesterday, but trading remained nervous as dealers weighed the implications of the twin US deficits on trade and the budget, and comments by senior officials.

Recent remarks from ministers in Washington, Tokyo, and Frankfurt have attempted to reinforce the Group of Seven agreement on currency stability, but in the long term dealers have doubts about the ability of the US to continue along the path of very large deficits on the budget and trade.

Sentiment suggested the dollar is likely to test the downside of its recent range in the near future, but it closed around the day's highs in Europe yesterday.

This followed news that President Reagan is prepared to discuss with Congress proposals to cut the budget deficit by increasing taxation, although he remains opposed to any such move.

The dollar rose to DM1.8135 from DM1.8080; to FFr6.05 from FFr6.0375; to SFr1.5065 from SFr1.5005; and to Y144.15 from Y143.90.

On Bank of England figures the dollar's index rose to 100.9 from 100.8.

STERLING—Trading range against the dollar in 1987 is 1.6905 to 1.4710. September average 1.6456. Exchange rate index was unchanged at 73.4, compared with 72.5 six months ago.

Sterling fell ¼ cent to $1.6520-1.6530 as the pound was on the sidelines in dull currency trading. In terms of other major currencies the pound's tone was firm, rising to DM 2.9975 from DM 2.9925; to FFr 9.9975 from FFr 9.9925; and to SFr 2.4875 from SFr 2.4825. It was unchanged at Y238.25.

Tuesday's announcement of a disappointingly large rise in September UK bank lending was swamped by other events in financial markets, but more notice is likely to be taken of tomorrow's UK trade figures.

City economists generally expect an improvement in September from the August trade deficit £1.5bn, and the current account shortfall of £929m.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. September average 1.8122. Exchange rate index 146.8 against 148.3 six months ago.

The D-mark weakened slightly against the dollar in dull Frankfurt trading. The dollar rose to DM 1.8090 from DM 1.8080 at the close, and climbed above DM 1.81 after hours.

In Frankfurt the Bundesbank did not intervene when the dollar was fixed at DM1.8041, compared with DM1.7918 on Tuesday.

The dollar was generally stable as the market monitored developments in stock and bond markets, but underlying sentiment remained bearish, because of the US deficits on the budget and trade.

A slightly firmer tone for the dollar followed indications from the White House that President Reagan may be prepared to soften his refusal to allow the US budget deficit to be cut by higher taxes.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. September average 143.19. Exchange rate index 220.8 against 223.9 six months ago.

The yen weakened against the dollar in Tokyo, but foreign exchange rates were little changed from overnight levels in New York. The dollar rose to Y143.90 in Tokyo from Y142.80 on Tuesday, but held steady from the New York finish of Y142.95.

Dealers were reluctant to provide new directon for the dollar, on uncertainty about the general trend in stock and bond markets.

The market was generally sidelined after the Tokyo stock index recovered strongly, after falling nearly 15 per cent on Tuesday.

Mr Satoshi Sumita, Governor of the Bank of Japan, told a news conference he did not expect an early meeting of the Group of Seven to review economic policy.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1883	+1.72	+0.99	±1.5344
Danish Krone	7.85212	7.97026	+1.50	+0.77	±1.6404
German D-Mark	2.05853	2.07600	+0.85	+0.12	±1.0981
French Franc	6.90403	6.93093	+0.39	−0.34	±1.3674
Dutch Guilder	2.31943	2.33514	+0.60	−0.13	±1.5012
Irish Punt	0.768411	0.774779	+0.83	+0.10	±1.6684
Italian Lira	1,483.58	1498.05	+0.90	+0.62	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct. 21	Latest	Previous Close
£ Spot	1.6860-1.6870	1.6530-1.6540
1 month	0.35-0.33pm	0.26-0.25pm
3 months	0.81-0.77pm	0.55-0.52pm
12 months	2.70-2.60pm	2.10-1.95pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6490-1.6590	1.6520-1.6530	0.34-0.31c pm	2.36	0.77-0.72pm	1.80
Canada	2.1702-2.1768	2.1720-2.1730	0.24-0.14c pm	1.05	0.52-0.40pm	0.85
Netherlands	3.36-3.37¼	3.36¾-3.37¾	1½-1¼c pm	4.90	3¾-3½pm	4.23
Belgium	62.11-62.45	62.35-62.45	20-10c pm	2.88	55-40pm	3.04
Denmark	11.47½-11.50¾	11.47½-11.48½	¼pm-⅛ore dis	−0.33	1-½pm	0.25
Ireland	1.1146-1.1176	1.1155-1.1165	0.10-0.05c pm	0.81	0.29-0.13pm	0.65
W. Germany	2.98½-3.00¾	2.99¾-3.00¾	1⅝-1½pf pm	6.01	4-3⅞pm	4.92
Portugal	235.93-237.76	236.45-237.40	35-95c dis	−3.29	165-260dis	−3.59
Spain	194.24-195.35	194.40-194.77	30pm-10c dis	1.23	10-85dis	−0.98
Italy	2154¾-2161¾	2155¾-2156¾	Par-4 lire dis	−1.11	5-15dis	−1.86
Norway	10.94½-10.98	10.94¾-10.95¾	3⅜-4⅞ore dis	−4.18	9¾-10⅞dis	−3.75
France	9.97-10.00½	9.99¾-10.00¾	1⅞-1⅝c pm	1.88	3⅞-2⅞pm	1.39
Sweden	10.50-10.55¾	10.53½-10.54½	1-par ore pm	0.57	½pm-⅛dis	0.33
Japan	237-238¾	237¾-238¾	1⅜-1⅛y pm	6.30	3⅞-3pm	5.35
Austria	20.99-21.08	20.99-21.02	10⅞-9½gro pm	5.78	28⅞-25⅞pm	5.22
Switzerland	2.47¾-2.49¾	2.48¾-2.49¾	1½-1⅜c pm	6.63	4-3⅞pm	6.03

Belgian rate is for convertible francs. Financial franc 62.50-62.60. Six-month forward dollar 1.60-1.50cpm. 12-month 2.80-2.60pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6490-1.6590	1.6520-1.6530	0.34-0.31c pm	2.36	0.77-0.72pm	1.80
Ireland†	1.4770-1.4855	1.4800-1.4810	0.11-0.06c pm	0.69	0.25-0.15pm	0.54
Canada	1.3110-1.3146	1.3135-1.3145	0.13-0.16c dis	−1.33	0.30-0.33dis	−0.96
Netherlands	2.0270-2.0395	2.0380-2.0390	0.43-0.38c pm	2.40	1.33-1.26pm	2.55
Belgium	37.45-37.80	37.70-37.80	4.00-2.00c pm	0.96	13.00-9.00pm	−1.17
Denmark	6.92-6.96¾	6.94½-6.95	0.60-1.30ore dis	−1.65	2.65-3.35dis	−1.73
W. Germany	1.8015-1.8140	1.8130-1.8140	0.56-0.54pf pm	3.66	1.57-1.53pm	3.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.80-37.90.

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

Long-term Eurodollars: Two years 9⅞-9¾ per cent; three years 9⅞-9¾ per cent; four years 9⅞-9¾ per cent; five years 9⅞-9¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

Oct. 21	£	$
[illegible]	[illegible]	[illegible]
Korea(Sth)	1324.10-1336.05	801.10-807.70
Kuwait	0.46540-0.46580	0.28105-0.28115
Luxembourg	62.35-62.45	37.70-37.80
Malaysia	4.1870-4.1975	2.5275-2.5325
Mexico	2685.20-2688.45	1621.00-1622.00
N. Zealand	2.5545-2.5595	1.5430-1.5455
Saudi Ar.	6.2100-6.2155	3.7500-3.7510
Singapore	3.4595-3.4695	2.0885-2.0935
S. Af. (Cm)	3.3855-3.4015	2.0460-2.0500
S. Af. (Fn)	5.9125-6.1310	3.5715-3.7085
Taiwan	49.40-49.65	29.95-30.05
U.A.E.	6.0815-6.0870	3.6725-3.6735

*Selling rate.

EXCHANGE CROSS RATES

Oct. 21	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.334	0.551	1.	79.48	3.335	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.197	6.936	12.58	1000.	41.96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.000	1.659	2.998	238.3	10.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.402	0.664	1.205	95.78	4.019	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.297	0.491	0.890	70.75	2.969	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.464	0.767	1.390	110.5	4.638	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.460	0.761	1.380	109.7	4.602	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.603	2.648	4.804	381.8	16.02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Prices try to consolidate

GILT PRICES finished a little higher on the day in the London International Financial Futures Exchange yesterday as traders tried to take stock after two hectic days.

The recent sharp fall in equities and the consequent underwriting by the US authorities was sufficient to bring a majority of the more rampant bears back to reality. While gilts appeared to benefit from a flight to quality which in itself was a bit of a puzzler since in times of uncertainty short dated instruments should gain over long term bonds, sentiment was affected by the recent reduction in US interest rates.

This gave rise to speculation over a cut in UK base rates and the rumour mongers gained ammunition from the Bank of England's mode of assistance in the money market which included sale and repurchase agreements. However many analysts were quick to dismiss the notion of an early cut since most money instruments in the UK had remained rather aloof from the turmoil suffered in the US.

Three-month sterling deposits certainly moved higher in the morning and stayed within a fairly narrow range during the afternoon but three-month interbank money finished at the same level as last Thursday.

US Treasury bond prices opened firmer after Tuesday's cuts in US prime rates but tended to ease back on profit taking. However later trading saw values rally so that the December price rose from a low of 82-10 to close at 83-07, having opened at 83-20 up from 83-08 on Tuesday.

Dealers also noted that the IMM in Chicago had increased the margin requirements on three-month Euro-dollars and 90-day Treasury bills to $1,500 and $1,000 respectively.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
106	8.01	8.48	0.05	0.40
108	6.10	7.09	0.14	1.01
110	4.28	5.45	0.32	1.37
112	3.00	4.27	1.04	2.19
114	1.51	3.22	1.55	3.14
116	1.01	2.29	3.05	4.21
118	0.34	1.48	4.38	5.40
120	0.16	1.14	6.20	7.06

Estimated volume total, Calls 6,072 Puts 4,736
Prev. day's open int: Calls 38,567 Puts 29,548

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
74	9.22	9.13	0.08	0.57
76	7.33	7.43	0.19	1.23
78	5.53	6.13	0.39	1.57
80	4.23	4.53	1.09	2.33
82	3.05	3.43	1.55	3.23
84	2.08	3.13	2.58	4.57
86	1.23	1.38	4.09	5.18
88	0.55	1.31		7.11

Estimated volume total, Calls 579 Puts 64
Previous day's open int: Calls 2,417 Puts 1,785

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Oct.	Calls—Last Nov.	Puts—Last Oct.	Puts—Last Nov.
18750	6.81	14.39	1.31	8.89
19000	5.10	13.07	2.10	10.07
19250	3.67	11.83	3.17	11.33
19500	2.53	10.68	4.53	12.68
19750	1.67	9.62	6.17	14.12
20000	1.05	8.63	8.05	15.63
20250	0.63	7.73	10.13	17.23
20500	0.36	6.90	12.36	18.90

Estimated volume total, Calls 9 Puts 13
Previous day's open int: Calls 112 Puts 218

LIFFE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE—EURODOLLAR OPTIONS

[illegible]

LONDON

[illegible]

CHICAGO

[illegible]

CURRENCY FUTURES

[illegible]

MONEY MARKETS

UK longer rates a little lower

LONGER TERM interest rates were a little lower in the London money market yesterday, reflecting the recent decline in US interest rates and some wilder speculation about an early cut in UK base rates.

UK clearing bank base lending rate 10 per cent since August 7

Those favouring the latter were given ammunition as the Bank of England elected to give early assistance through sale and repurchase agreements rather than outright purchases, but there was little evidence to suggest that rates were about to fall. Short term interbank rates have remained remarkably steady, given the recent strains worldwide. Overnight money traded between 11 per cent and 8 per cent while the three-month rate finished at 10⅜-10¼ per cent compared with 10¼-10⅛ per cent.

The Bank of England forecast a shortage of around £950m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £315m and Exchequer transactions £810m. There was also a rise in the note circulation of £90m. These were partly offset by banks' balances brought forward £75m above target.

To help alleviate the shortage, the Bank offered an early round of assistance which totalled £120m and comprised sale and repurchase agreements at 9$\frac{29}{32}$ per cent, unwinding on October 30. The forecast was revised to a shortage of around £1,050m, before taking into account the early help and the Bank gave additional assistance in the morning of £125m, £21m through outright purchases of eligible bank bills in band 1 at 9⅞ per cent and £104m on a sale and repurchase basis for resale to the market on October 30 at 9$\frac{29}{32}$ per cent.

A further revision took the forecast to a shortage of around £1,000m before accounting for the earlier help and the Bank gave assistance in the afternoon of £431m through outright purchases of £242m of eligible bank bills in band 1 at 9⅞ per cent and £189m on a sale and repurchase agreement similar to the earlier operations.

Late help came to £405m, making a total of £1,081m.

In Frankfurt the Bundesbank allocated DM 7.7bn at yesterday's sale and repurchase tender at a fixed rate of 3.80 per cent for the 35-day facility. This coincides with the maturity of a previous agreement which drained DM 15.4bn.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

Company Notices

MERCURY SELECTED TRUST SICAV (MST)
MERCURY OFFSHORE STERLING TRUST SICAV (MOST)
CHANNEL ISLANDS AND INTERNATIONAL INVESTMENT TRUST LTD

Due to prevailing international stock market conditions which affect the proper valuation of the above companies' investments, the Manager of the above companies announces that in accordance with their respective Articles of Association dealings were suspended on 19th and 20th October, 1987 in all classes of shares of those companies except for MST — Global Bond, Managed Currency and Yen Global Bond Funds and MOST — Cash Fund. Dealings in all classes of shares recommenced on 21st October, 1987 except for MST — Pacific and Hong Kong Funds and MOST — Pacific Fund which remain suspended.

For details of the current position please contact the Manager. Formal notice of termination of suspension of those classes still suspended will be published in this newspaper.

Warburg Investment Management Jersey Ltd., 39/41 Broad Street, St Helier, Jersey, Channel Islands. Tel: (0534) 74715

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 20 1987					MONDAY OCTOBER 19 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (90)	121.56	−23.6	108.90	113.11	3.54	159.10	140.36	145.98	180.81	99.92	90.36
Austria (16)	95.25	−5.5	85.32	89.53	2.37	100.84	88.97	93.13	102.87	85.53	96.21
Belgium (48)	106.13	−2.5	95.07	98.93	4.87	108.80	95.99	99.95	134.89	96.19	90.71
Canada (129)	102.00	−11.4	91.37	97.38	3.13	115.10	101.54	108.05	141.78	100.00	97.24
Denmark (38)	106.79	−9.9	95.67	101.06	2.96	118.50	104.55	110.28	124.83	98.18	99.98
France (122)	90.91	−2.0	81.44	86.10	3.26	92.79	81.86	86.42	121.82	90.91	91.77
West Germany (93)	85.88	−6.7	76.93	80.72	2.40	92.03	81.19	85.02	104.93	84.00	93.14
Hong Kong (46)	133.31	−0.1	119.42	133.64	3.64	133.50	117.78	133.64	158.68	96.89	87.71
Ireland (14)	121.92	−16.1	109.22	116.00	3.94	145.37	128.25	136.19	160.22	99.50	80.22
Italy (95)	84.74	−6.2	75.91	82.59	2.34	90.37	79.73	86.78	112.11	84.22	105.84
Japan (458)	123.28	−16.6	110.44	112.14	0.62	147.90	130.48	132.48	161.28	100.00	88.64
Malaysia (36)	129.26	−15.3	115.79	126.02	2.90	152.53	134.57	148.24	193.64	98.24	98.94
Mexico (14)	311.06	−11.9	278.65	550.79	0.54	352.93	311.36	626.08	422.59	99.72	78.43
Netherland (37)	95.89	−9.1	85.90	88.99	5.14	105.52	93.09	96.20	131.41	95.89	95.11
New Zealand (23)	104.22	−16.1	93.36	85.60	3.53	124.28	109.65	101.06	138.99	83.93	80.60
Norway (24)	128.34	−21.5	114.97	115.50	2.40	163.52	144.26	145.04	185.01	100.00	103.31
Singapore (27)	106.29	−25.6	95.22	102.49	2.42	142.78	125.96	137.22	174.28	99.29	99.72
South Africa (61)	173.45	−10.0	155.38	128.55	3.32	192.64	169.95	140.39	198.09	100.00	94.97
Spain (43)	150.49	−7.1	134.81	134.13	3.03	162.00	142.92	143.17	168.81	100.00	96.11
Sweden (34)	113.78	−8.3	101.93	107.30	2.16	124.02	109.41	115.62	136.64	90.85	98.15
Switzerland (53)	91.41	−4.6	81.88	85.03	1.99	95.78	84.50	87.65	111.11	91.41	94.22
United Kingdom (335)	125.56	−12.6	112.48	112.48	4.09	143.68	126.76	126.76	162.87	99.65	92.34
USA (584)	96.34	+3.8	86.30	96.34	3.85	92.83	81.90	92.83	137.42	92.83	98.16
Europe (952)	105.90	−9.2	94.87	97.41	3.47	116.57	102.84	105.57	130.02	99.78	94.35
Pacific Basin (680)	123.23	−16.6	110.40	112.45	0.84	147.72	130.32	132.80	158.77	100.00	88.68
Euro—Pacific (1632)	116.35	−14.0	104.23	106.46	1.80	135.30	119.37	121.95	143.65	100.00	90.92
North America (713)	96.64	+2.8	86.57	96.42	3.80	94.04	82.96	93.73	137.55	94.04	98.11
Europe Ex. UK (617)	93.70	−6.0	83.94	88.13	2.95	99.71	87.97	92.32	111.97	93.70	95.36
Pacific Ex. Japan (222)	122.91	−15.7	110.11	116.29	3.51	145.74	128.58	136.74	164.03	99.92	88.60
World Ex. US (1836)	116.56	−13.9	104.42	106.67	1.87	135.33	119.39	121.98	143.38	100.00	91.17
World Ex. UK (2085)	107.08	−8.1	95.92	102.10	2.36	116.45	102.74	110.00	138.82	100.00	94.05
World Ex. So. Af. (2359)	108.30	−8.5	97.02	102.82	2.53	118.41	104.46	111.30	139.47	100.00	93.88
World Ex. Japan (1962)	101.76	−3.1	91.16	98.45	3.66	104.99	92.63	100.89	134.22	100.00	96.41
The World Index (2420)	108.72	−8.5	97.39	103.05	2.54	118.88	104.88	111.56	139.73	100.00	93.89

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition
Hong Kong market suspended from October 20.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$500	93	4.50	55	16.50	—	—	$466.70
GOLD C	$520	94	2.60	60	10	—	—	"
GOLD P	$420	7	0.50	30	3.50	—	—	"
		Dec. 87		Mar. 88		June 88		
SILVER C	$650	13	100A	—	—	—	—	$741
SILVER C	$700	13	75	—	—	—	—	"
SILVER C	$800	90	40A	45	70	—	—	"
SILVER C	$850	1	20	3	60	—	—	"
SILVER C	$900	—	—	5	40	—	—	"
		Nov. 87		Dec. 87		Jan. 88		
$/Fl C	Fl.195	—	—	20	8.50	—	—	Fl.203.55
$/Fl C	Fl.200	18	4.20	10	4.50B	1	5.40	"
$/Fl C	Fl.205	49	1.80	543	2.30	—	—	"
$/Fl P	Fl.190	—	—	6	0.60	—	—	"
$/Fl P	Fl.195	4	0.70	7	1.90	10	1.70	"
$/Fl P	Fl.200	35	1.30A	46	2.60	25	3.20	"
$/Fl P	Fl.205	315	3.80	6	5.20	—	—	"
		Mar. 88		June 88		Sept. 88		
$/Fl C	Fl.205	2	3.70B	—	—	—	—	Fl.203.55
$/Fl P	Fl.200	16	4.60	10	7	—	—	"
$/Fl P	Fl.205	6	7.50B	—	—	—	—	"
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl.48	653	1.10	87	2.30	—	—	Fl.41.20
ABN P	Fl.40	767	3.30	93	3.70	120	5.10A	"
AEGON C	Fl.75	139	4.40	24	6	—	—	Fl.70.50
AEGON P	Fl.70	38	5.50	—	—	—	—	"
AHOLD C	Fl.85	104	6	28	8.50A	—	—	Fl.84
AHOLD P	Fl.100	28	17	1	17.50	—	—	"
AKZO C	Fl.150	2208	10.50B	85	15	58	18	Fl.144
AKZO P	Fl.120	452	4.60	—	—	—	—	"
AMEV C	Fl.50	65	5.10	—	—	8	6.50	Fl.50.50
AMEV P	Fl.65	47	15	1	17.50	—	—	"
AMRO C	Fl.70	308	5.60	88	7	13	10	Fl.69.50
AMRO P	Fl.65	383	3.30	—	—	—	—	"
ELSEVIER C	Fl.50	215	4.70A	5	6	6	6.50	Fl.48.50
ELSEVIER P	Fl.45	161	3.20	—	—	—	—	"
GIST-BROC. C	Fl.45	222	3	11	5.30A	—	—	Fl.43
GIST-BROC. P	Fl.50	576	7.50	27	10	—	—	"
HEINEKEN C	Fl.190	61	1.90	3	4	—	—	Fl.156.50
HOOGOVENS C	Fl.45	343	2.80	172	3.70	2	5	Fl.41.20
HOOGOVENS P	Fl.45	101	5.50B	11	7	—	—	"
KLM C	Fl.45	772	4.20	73	7	13	7.90	Fl.42.50
NEDLLOYD C	Fl.170	61	11.50	4	14.50	—	—	Fl.161.50
NEDLLOYD P	Fl.160	84	7.50	3	11	—	—	"
NAT.NED. C	Fl.65	380	3.40	36	4.50	49	6.20	Fl.61.80
NAT NED P	Fl.60	102	4	36	4.50	55	5.80	"
PHILIPS C	Fl.50	1611	2.10	251	3.80	55	4.80	Fl.43.50
PHILIPS P	Fl.40	849	3	45	4.20	55	5	"
ROYAL DUTCH C	Fl.230	1205	16.50	125	24.50	31	31	Fl.225.90
UNILEVER C	Fl.120	672	10	75	16	31	17.50	Fl.118

TOTAL VOLUME IN CONTRACTS: 62,902

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'l Tst C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp.	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank. Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Sureslave 7.46%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 11.125%.

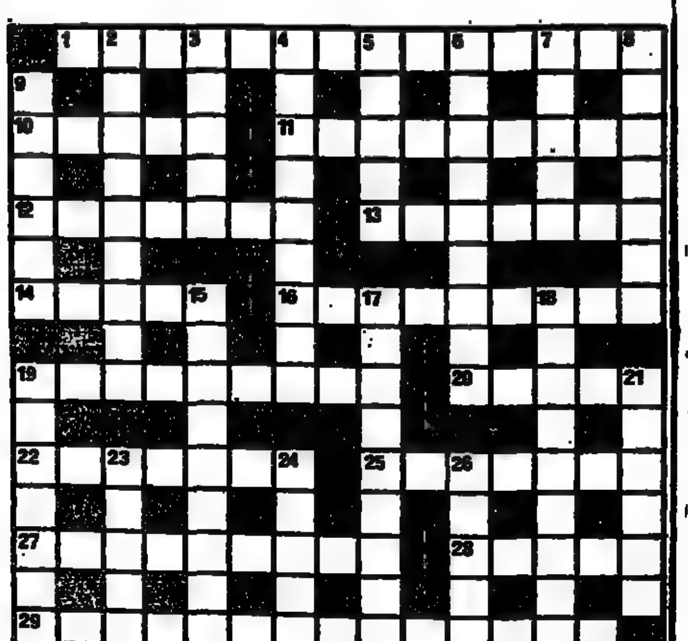
Public Works Loan Board Rates

Effective October 20

Years	Quota loans repaid by EIP† %	A‡ %	at maturity§ %	Non-quota loans A* repaid by EIP† %	A‡ %	at maturity§ %
1	—	—	10⅝	—	—	11⅜
Over 1 up to 2	10⅝	10⅝	10⅝	11⅝	11⅝	11⅜
Over 2 up to 3	10⅝	10⅝	10¾	11⅝	11⅝	11½
Over 3 up to 4	10⅝	10⅝	10¾	11⅝	11⅝	11½
Over 4 up to 5	10¾	10¾	10¾	11¾	11¾	11½
Over 5 up to 6	10¾	10¾	10⅞	11¼	11¼	11⅜
Over 6 up to 7	10¾	10¾	10⅞	11¼	11¼	11⅜
Over 7 up to 8	10¾	10¾	11	11¼	11¼	11½
Over 8 up to 9	10¾	10¾	11	11¼	11¼	11½
Over 9 up to 10	10¾	10⅞	10⅞	11¼	11⅜	11⅜
Over 10 up to 15	11	11	10¾	11½	11½	11¼
Over 15 up to 25	10¾	10⅝	10⅝	11¼	11⅛	11⅛
Over 25	10⅝	10⅝	10½	11⅛	11⅛	11

FT CROSSWORD PUZZLE No 6,462

DANTE



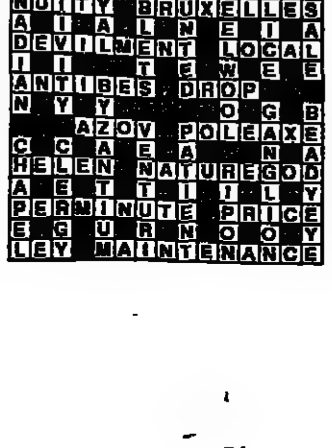
ACROSS

1 One who's given up (5,9)
10 Brought down to earth (5)
11 All the broken stone that goes into concrete (9)
12 Urged on new experience (7)
13 Placed in a losing position in tennis (3,4)
14 Be niggardly in a task, impatient too (5)
16 Alice pops out of the church (9)
19 A great strain—so Hitler thought (5,4)
20 Rules unpopular with schoolboys (5)
22 Fresh garb that is left for a minister of God (7)
25 Man to possibly enter the church? (7)
27 Almost in debt? Very well could be (2,3,4)
28 Soft currency? (5)
29 Is in a fine state of suspense (5,2,1,6)

DOWN

2 Useful expression for one raising a child (3-1-5)
3 It counts as a hazard for ramblers (5)
4 Propose a broadcast—a serial (4,5)
5 Imprisons many for a long time (5)
6 I'd upset a client, just the same (9)
7 State from which I had returned on the second of the month (5)
8 Possibly learnt about Eastern immortal (7)
9 Has a dispute about right usage? (6)
15 Destitute writer on African river steamer (9)
17 Facial make-up used by the police (9)
18 Spun a line about a land project (9)
19 Haig's undisturbed by great pain (7)
21 Observe the cook in hot water? (6)
23 Carry on playing cricket for the staff (5)
24 Ordinary people from Italy (5)
26 Condition under which a horse races (5)

Solution to Puzzle No 6,461



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gross

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

Abtrust Management Ltd
10 Queens Terrace, Aberdeen AB9 1QJ 0224 633070

AEtna Unit Trusts Ltd(a)(b)(c)
401 St John St, London EC1V 4QE 01-837 6494

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY 01-242 1148

Canada Life Unit Trust Mngrs. Ltd
2-6 High St, Potters Bar, Herts 0707 51122

Cannon Fund Managers Ltd
1 Olympic Way, Wembley, HA9 0NB 01-902 8876.

Capel (James) Mngt. Ltd
PO Box 551, 6, Bevis Marks, EC3A 01-621 0011

Capital House Unit Trust Mngrs
Capital House, Festival Square, Edinburgh. 031-228 4477

Cent. Bd. of Fin. of Church of England

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers—Contd.

Gilt	88.1	88.5	—	7.97
(Accum Units)	104.7	105.2	—	7.97
Global Fund	54.1	57.2	—	0.64
(Accum Units)	54.1	57.2	—	0.64
High Income Fund	56.0	59.2	—	4.32
(Accum Units)	57.5	60.8	—	4.32
High Interest Fund	42.3	44.7	—	9.27
(Accum Units)	43.5	46.0	—	9.27
Income	132.6	140.3	—	2.60
(Accum Units)	153.0	161.9	—	2.60
International	309.0	326.9	—	1.86
(Accum Units)	386.6	409.0	—	1.86
Japan	217.7	230.3	—	0.52
(Accum Units)	223.4	236.3	—	0.52
Pacific Fund	60.6	64.1	—	0.10
(Accum Units)	60.6	64.1	—	0.10
Recovery	339.9	359.6	—	2.26
(Accum Units)	372.1	393.7	—	2.26
UK Smaller Co's Fund	59.4	62.8	—	1.56
(Accum Units)	60.0	63.4	—	1.56

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Oct 14	580.5	589.0	-91.5	1.41

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	67.2	71.4	—	4.20
Accum Units	67.8	72.1	—	4.16
UK Growth Fund Acc.	67.7	72.0	—	1.99
Global Income Fund	50.1	53.3	—	3.76
Accum Units	50.1	53.2	—	3.76
Global Growth Fund	50.3	53.5	—	0.47

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD Tel. 0742 769842

Capital	114.5	121.5	—	1.27
(Accum Units)	150.2	127.5	—	1.27
Commodity & Gen.	163.3	173.3	—	1.56
(Accum Units)	233.1	247.4	—	1.56
European Growth	115.8	122.9	—	1.13
(Accum Units)	139.7	148.3	—	1.13
Extra High Inc	69.2	73.5	—	6.78
(Accum Units)	86.1	91.4	—	6.78
Gilt & Fxd. Inc.	51.4	53.7	—	8.70
(Accum Units)	91.3	95.4	—	8.70
High Yield	204.1	216.6	—	4.47

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	127.1	135.3	—	0.95
PM Income and Growth	108.1	115.0	—	2.88
PM N American Growth	52.3	55.6	—	0.36
PM European Growth	52.6	55.9	—	0.56
PM Japan Growth	72.6	77.2	—	0.35
PM Overseas Growth	54.6	58.0	—	0.49

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010148

Holborn Comm Tst.	66.1	69.7	—	0.44
Holborn Equity Income	63.2	66.6	—	3.86
Holborn Equity Tst.	471.7	497.6	—	2.71
Holborn European Tst.	109.0	114.9	—	0.72
Holborn Premier Inc.	41.2	43.4	—	2.28
Holborn High Inc Tst	78.5	82.8	—	5.23
Holborn Intl Grth Tst.	96.47	101.9	—	0.86
Holborn Intl Sm Cos	40.9	43.1	—	0.06
Holborn Japanese Tst.	314.6	320.9	—	0.05
Holborn N. Amer. Tst.	67.3	71.0	—	0.68
Holborn Sm Cos Tst.	69.7	73.5	—	1.58
Holborn Spec Sits Tst.	82.71	87.27	—	1.68
Holborn UK Growth Tst.	89.25	94.16	—	1.99

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	692.8	733.2	—	1.33
Quadrant Income	353.9	374.6	—	3.53
Quadrant Int'l Fund	461.1	488.0	—	1.05
Quadrant Spec. Sits.	495.4	524.3	—	1.11

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	208.6	221.8	+12.1	2.72
Reliance Unit Tst (Inc)	152.2	161.8	+7.6	1.63
Reliance Ut Tst (Acc)	205.7	218.7	+10.2	1.63

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	39.0	42.4	(z)	—

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2903/4

NC America (Inc)	231.9	246.2	-65.5	0.98
NC America (Acc)	256.0	272.3	-46.2	0.98

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Int.	224.7	—
Do. Accum.	277.7	—
Guaranteed Inc.	159.5	—
Do. Accum.	197.2	—
International Int.	424.6	—
Do. Accum.	524.3	—
Index Lk. Gilt Int.	126.3	—
Do. Accum.	156.8	—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	323.4	—
Property Pens.	459.1	—
Equity	193.7	—
Equity Pens.	865.2	—
Money Market	294.1	—
Money Mkt. Pens.	331.3	—
Deposit	240.5	—
Deposit Pens.	306.2	—
Managed	248.7	—
Managed Pens.	375.6	—
Intl. Equity	352.8	—
Do. Pens.	370.2	—
Intl. Managed	322.5	—
Do. Pens.	477.6	—
North American	124.5	—
Do. Pens.	139.2	—
Far East	302.7	—
Do. Pens.	450.1	—
Intnl. Currency	160.2	—
Do. Pens.	216.6	—
Index Linked	118.9	—
S & C Managed Fd.	138.7	—
S & C Pens Mngd Fd	112.3	—
Bell Chambers	130.0	—
Lorin & Loren	122.9	—
Milton Mngd Fnd	160.9	—

Trustbank Life Funds

Per Worldwide Rec.	164.5	—
Per Far East Growth	218.3	—
Per Intl Growth	162.7	—
Per Income	367.6	—
Per Emerging Co's	159.6	—
Per American Growth	139.3	—
Per European Growth	136.0	—

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 682986

NUAM Funds

Managed Fund	51.9	54.7	+2.9	—
Stock Market Mngd Fund	51.5	54.3	+3.4	—
Equity Fund	56.7	59.7	+7.8	—
International Fund	46.7	49.2	+5.2	—
European Fund	53.4	56.3	+7.1	—
North American Fund	38.6	40.7	+3.7	—
Pacific Fund	57.0	60.1	+8.8	—
Property Fund	53.0	55.8	+6.3	—
Fixed Interest Funds	47.9	50.5	+3.1	—
Index Linked Sec Fund	44.5	46.9	+3.4	—
Deposit Fund	51.7	54.5	—	—

NUAM Retirement Plans

Mixed Fund	55.7	58.7	+1.8	—
UK Ordinary Share	67.5	71.1	+4.8	—
International Fund	45.8	48.3	-1.9	—
Property Fund	53.0	55.8	—	—
Fixed Interest Fund	49.7	52.4	+1.1	—
Index Linked Sec Fund	44.9	47.3	+0.2	—
Deposit Fund	53.8	56.7	—	—

NUAM (NUF)

Managed Fund	710.2	747.6	+82.4	—
Equity Fund	1493.7	1572.4	+227.3	—
Property Fund	329.6	347.0	+35.6	—
Fixed Interest Fund	353.4	372.0	+22.2	—
Deposit Fund	211.3	222.5	—	—
International Fund	44.6	47.00	+2.8	—
Index Linked Sec Fund	121.4	127.8	+11.7	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionmaster & Unit-Linked Plan*

Fixed Interest Fund	248.7	261.7	-2.3	—
Index-Linked Sec Fund	127.0	133.6	+0.6	—
Ordinary Share Fund	490.5	516.3	-78.4	—
International Fund	117.5	123.6	-31.4	—
Property Fund	164.2	172.8	+0.1	—
Deposit Fund	168.8	177.6	+0.3	—
Mixed Fund	310.3	326.6	-45.9	—
Norwich Units Oct 15		1047.9		—

*Prices as at June 30.

Pearl Assurance (Unit Funds) Ltd

Provincial Life Assurance Co Ltd(z)

Royal Heritage Life Assce.—Contd.

Target Life Assurance Co. Ltd.

The Normandy Group

Barclays Intl Funds—Contd.

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	[illegible]	Consols 4pc	[illegible]	[illegible]	9.82	—
[illegible]	[illegible]	War Loan 3½pc‡‡	35	[illegible]	9.68	—
[illegible]	[illegible]	Conv. 3½pc '61 Aft.	47¼	[illegible]	7.34	—
[illegible]	[illegible]	Treas. 3pc '66 Aft.	[illegible]	[illegible]	9.90	—
[illegible]	[illegible]	Consols 2½pc	[illegible]	[illegible]	9.94	—
[illegible]	[illegible]	Treas. 2½pc	[illegible]	[illegible]	9.93	—

Index-Linked

1987 High	Low	Stock	(b)	Price £	+ or –	(1)	(2)
132	[illegible]	Treas. 2pc '88	(297.1)	[illegible]	[illegible]	—	—
[illegible]	[illegible]	Do. 2pc '90	(333.9)	[illegible]	[illegible]	2.11	3.31
[illegible]	[illegible]	Do. 2pc '92‡‡	(385.8)	[illegible]	[illegible]	2.95	3.58
[illegible]	[illegible]	Do. 2pc '96	(267.9)	[illegible]	[illegible]	4.19	4.47
[illegible]	[illegible]	Do 2½pc '01	(308.8)	[illegible]	[illegible]	4.54	4.76
110	[illegible]	Do. 2½pc '03	(310.7)	[illegible]	[illegible]	4.53	4.73
[illegible]	[illegible]	Do. 2pc '06	(274.1)	[illegible]	[illegible]	4.45	4.65
108	[illegible]	Do. 2½pc '09	(310.7)	[illegible]	[illegible]	4.39	4.58
[illegible]	[illegible]	Do. 2½pc '11	(294.1)	[illegible]	[illegible]	4.35	4.52
[illegible]	[illegible]	Do. 2½pc '13	(351.9)	[illegible]	[illegible]	4.33	4.47
[illegible]	[illegible]	Do. 2½pc '16	(322.0)	[illegible]	[illegible]	4.23	4.39
[illegible]	[illegible]	Do. 2½pc '20	(327.3)	[illegible]	[illegible]	4.14	4.27
[illegible]	[illegible]	Do. 2½pc '24‡‡	(385.3)	[illegible]	[illegible]	4.07	4.19

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for February 1987: 100.4 and for September 1987: 102.4 (adjusted at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	25¾	Rep NY Corpn $5	25¾	–3⅛	$1.16	—	2.8
18¼	8⅛	Rockwell Intl. $1	11	+2¼	66c	—	3.7
30	16¼	Sara Lee $1	19 xd	+3½	$1.00	—	3.1
11	8⅞	Saul (B. F.) $1	10⅞	–	20c	—	1.1
27⅛	21¼	Southwestern Bell $1	22	+4	$2.32	—	6.5
22⅛	13⅞	Staley Continental	13⅞	–⅞	80c	—	3.5
44	21¾	Sun Co. Inc. $1	24	+2	$3.00	—	7.5
42¼	24	TRW Inc. $0.625	24	–1½	$1.60	—	4.2
37⅞	24⅞	Tenneco $5	24⅞	–1¼	$3.04	—	7.5
220	149½	Do. 10pc Ln.Stk. 91-5	220xd	...	10%	—	14.7
29⅝	17	Texaco $6.25	18½xd	.....	$3.00	—	9.9
74	47⅞	Time Inc. $1	47⅞xd	+1¼	$1.00	—	1.2
19¼	11	Tracor $0.33	18⅞xd	....	40c	—	1.3
30¼	15	Transamerica $1	16⅝xd	+1	$1.84	—	6.8
14⅞	1¼	Transworld Corp $5	817p	–7	20c	—	1.5
27⅛	12⅞	TRINOVA Corp.	14½	+1¾	$1.00	—	4.2
24	12⅝	USX $1	15⅛	+2½	$1.20	—	4.9
19⅞	12	Union Carbide $1	12	–	$1.50	—	7.3
37⅞	23	Utd. Technologies	24 xd	+¾	$1.40	—	3.5
38⅝	26⅛	US West	29⅝	+3½	$3.20	—	6.8
30½	17⅛	Waste Management $1	20	+1⅝	—	—	—
£31⅛	£15	Whirlpool $1.0	£15	.....	—	—	—
37⅛	30¼	Woolworth $3½	20⅜	–1	$1.32	—	3.9

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
1111½	780	Prudential	885xd	+58	129.0	—	4.5	—
598	433	Refuge 5p	443	–12	15.75	—	4.9	—
595	398	Royal	445	+12	15.5	—	4.8	—
110	93	Saltire Ins. Inv.	98		—	—	—	—
345	188	Sedgwick Group 10p	245	+27	12.0	1.7	6.7	10.5
339	207	Steel Burrill J.10p	228		19.0	2.0	5.4	12.7
668	403	Stewart Wr. 20p	628		13.0	2.0	2.9	21.9
612	377	Sturge Hldgs 20p	448	–5	16.0	2.5	1.8	29.4
£12⅞	645	Sun Alliance	895	+25	23.5	—	3.6	—
£13	929	Sun Life 5p	[illegible]	+½	28.5	—	3.4	—
£59½	£39	Taisho M. EDR	£42½	–6½	Q010%	—	1.0	—
£22⅞	£14⅝	Torchmark $1.00	£15⅝xd	–¼	Q$1.00	—	3.9	—
410	235	Trade Indemnity	305	–5	14.3	—	1.5	—
£34	£21⅜	Travelers $1.25	£22½	+⅝	$2.28	—	6.2	—
£30⅝	£18	USF & G Corp $2.50	£19⅞	+1⅛	Q$2.48	—	7.7	—
£33⅞	£16½	USLIFE Corp. $1.0	£16½	–1	Q$1.20	3.2	4.5	3.6
738	555	Utd Friendly B 10p	713xd		22.0	—	4.0	—
464	271	Willis Faber 12½p	319	+28	10.75	2.4	4.6	12.2
128	41	Windsor Secs. 1p	97	+2	10.7	1.5	1.0	—

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	93	+5
Craig & Rose £1	738	+8
Finlay Pkg. 5p	108	+5
Holt (Jos) 25p	£11½xd	+¼
Idd Stm. £1	345	–10

IRISH		
Fund 11¼% 1988	£100⅝	
Nat. 9¼% 84/89	£98¼	
Fin. 13% 97/02	£109⅛	
Arnotts	380	
CPI Hldgs	78	
Carroll Inds.	160	
Dublin Gas	40½	
Hall (R. & H.)	175	
Helton Hldgs.	57	
Irish Ropes	210	
Norish	340	
Unidare	430	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	19
BAT	62
BOC Grp	50
BSR	17
BTR	36
Babcock	32
Barclays	52
Beecham	52
Blue Circle	50
Boots	30
Bowaters	50
Brit Aerospace	50
Brit. Telecom	20
Burton Ord	32
Cadburys	25
Charter Cons.	45
Comm Union	34
Courtaulds	45
FNFC	32
Gen Accident	95
GEC	22
Glaxo	200
Grand Met	50
GUS 'A'	125
Guardian	95
GKN	38
Hanson Tst.	17
Hawker Sidd	58
ICI	125
Jaguar	52
Ladbroke	45
Legal & Gen	32
Lex Service	45
Lloyds Bank	35
Lucas Inds.	75
Marks & Spencer	22
Midland Bk	45
Morgan Grenfell	55
NEI	13
Nat West Bk	65
P & O Dfd	65
Plessey	20
Polly Peck	54
Racal Elect	32
RHM	35
Rank Org Ord	70
Reed Intnl	50
STC	30
Sears	16
TI	37
TSB	12
Tesco	18
Thorn EMI	65
Trust Houses	25
T&N	26
Unilever	62
Vickers	20
Wellcome	42
Property	
Brit Land	30
Land Securities	58
MEPC	48
Peachey	40
Oils	
Brit Petroleum	32
Britoil	30
Burmah Oil	52
Charterhall	10
Premier	11
Shell	125
Tricentrol	11
Ultramar	26
Mines	
Cons Gold	125
Lonrho	28
Rio T Zinc	100

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

*New time dealings may take place from 9.00 am two business days earlier.

Widespread recovery underpinned late by further advance in early Wall St trade

AFTER TWO merciless sessions which had taken over one fifth off equity values, the UK securities markets yesterday joined in the rally in other world financial bourses. However, most of the recovery occurred very early in the day, and final quotations were below the best levels.

The major trading houses remained cautious, and the market shaded off at the end of the day, making limited response to the strong opening on Wall Street. But UK private investors re-entered the market as buyers for British Gas and other privatisation issues.

The final reading on the FT-SE 100 Index, 142.2 up at 1943.8, would have been a miracle in normal trading conditions, but was slightly disappointing in present circumstances. The index had risen by an estimated 200 points within half an hour of the opening of the Seaq trading system, which was brought forward to 7.00am.

The initial gain in share prices largely reflected intermarketmaker deals. When the brokers joined in, the FT-SE gain was quickly clipped to 110, after which the gain fluctuated between 180 and 140 for the rest of the day.

The news that President Reagan plans bi-partisan talks with Congress on the US budget deficit came late in a market day filled with rumours and counter rumours. Hints from the London money markets that UK base rates would be cut proved unfounded.

The City took a cautious view of the general recovery in world markets, and remained convinced that only definite action to cut the US trade deficit would prove of any lasting effect.

Even if such moves are put in hand, "the bull market is still over" said one international trader, although others disputed his view. There are worries over the next Account settlement on November 2, which could disclose investor liquidity problems. **British Petroleum** featured in the buying spurt by private investors, but could not hold at the effective underwriting price of 305p, regained at mid-session.

Government bonds had a successful, if somewhat restrained session, and closed with gains of ½ or so. The sector opened easier but responded to firmness in the US Treasury bond and in the London futures market.

Traders said there was little retail interest, and that the market was waiting for action in the US to curb the Federal deficit, which is blamed for this week's upheaval in world securities markets.

The clearers spurted higher, supported by widespread and often sizeable buying interest by institutions and private clients who were said to have regained their nerve after the rout of the previous couple of sessions.

Activity in the big-four was concentrated mainly on **NatWest** which rallied 85 to 608p. **Barclays** picked up 37 to 500p. Merchant banks also regained their composure after the panic selling triggered by fears that many stock market operators had sustained trading losses running into many millions of pounds. **Morgan Grenfell** improved 31 to 419p, **Kleinwort Grieveson** 40 to 450p and **SG Warburg** 12 to 430p.

The latest floods in the south of England, coming hard on the heels of last week's hurricane and the weekend floods in Wales, did not prevent a general advance in the insurance sector. Composites, which will incur substantial claims after the natural disasters, shared in the upturn. **Sun Alliance** - the worst affected of the composites - moved up 25 to 895p. In lifes heavy support by BZW lifted **Abbey Life** 45 to 268p

A County NatWest reminder that "with high earnings quality and solid asset backing the brewers' defensive qualities will come to the fore" held the sector in good stead. Virtually one-way traffic - turnover was only 2.6m shares - left **Whitbread "A"** up 32 at 306p while **Guinness** rebounded 37 to 310p; the latter has completed the purchase of Schenley Industries from the Riklis family for a consideration of $480m. **Allied-Lyons** rallied 27 to 379p and **Bass** regained 25 at 870p. Regional issues were not quite as fortunate and only **Beddington** made headway. The shares rose 13 to 179p on speculation whipped up by a report of Midsummer Leisure returning with a hostile offer after failing recently to gain the board's recommendation on intimated terms. Cidermaker **H.P.Bulmer** recovered 22 to 188p and Distillery shares also regained composure. Irish put on 22 to 195p.

Leading Building issues recovered a certain amount of the ground lost recently, but the recovery was patchy. **Blue Circle**, having dropped some 75p during the last two trading sessions, managed to improve 9 to 404p. **Tarmac**, another recent casualty, recovered 25 to 271p. **Redland** rallied 14 to 471p and **Steetley** improved 13 to 324p. **Marley**, boosted by talk of a broker's recommendation and news of a US acquisition, bounced 24 to 164p. In the Timber sector, **Meyer International** picked up 22 at 385p and **Magnet** improved 20 at 242p. Selected second- liners regained their poise. **Raine Industries** rallying 23 to 131p and **Bryant Holdings** improving 14½ to 129p.

ICI rallied along with other international stocks and the close was ½ higher at £13.

News of two further resignations from **Harris Queensway**, scheduled to announce interim results today,restrained Harris shares which closed only a fraction up on balance at 152½p, after initially touching 158p. The latest directors to leave the group, Peter Davis, executive deputy chairman, and Tony Behar, follow former joint chief executive Peter Carr who resigned over a month ago.Forecasts for Harris' profits range from around £7.5m to £9m.

Burton Group, the "cheapest stock in the sector" according to County NatWest, leapt 28½ to 244p.

Electricals and electronics stocks raced higher at the outset but tended to lose impetus later in the day. **British Telecom** enjoyed enhanced turnover and strong support - much of it, according to dealers, coming from north country brokers - and Telecom shares settled 14 higher at 237p

GEC rose 12 to 201p - helped by reports of an imminent £15m to £20m order for System X. Acquisition news lifted **BSR** 10 to 98p while the contract at the Daily Express boosted **Harland Simon** 18 to 253p.

Hawker Siddeley's interim figures failed to excite, but in line with the general rally, the shares picked up 19 to 461p. Among other Engineering issues, **Rolls-Royce** were relatively lively - around 10m shares changed hands - but the price settled below the best at 166p, up 13. **Camford** were also noteworthy for a rally of 15 to 205p.

Buyers returned for selected leading Food issues, but the mood remained distinctly cautious and prices only recovered relatively small amounts of recent losses. **Cadbury Schweppes**, in which nearly 8m. shares were traded, improved 7 to 235½p; Morgan Guaranty Trust's holding has been reduced to 5.5 per cent of the current issued ordinary capital. **Tate and Lyle** gave up 5 more at 751p while **RHM**, in which Goodman Fielder of Australia announced on Tuesday that it had increased its holding to 29.9 per cent, softened a penny to 314p. **Associated British Foods**, currently bidding for **S. & W. Berisford**, picked up 8 at 322p; the latter hardened a couple of pence to 387p. **Hillsdown** rallied 25 to 305p and **Dalgety** 17 to 327p. **Bernard Matthews** rose 18 to 145p on revived takeover hopes.

Leading Hotels staged a useful recovery, **Grand Metropolitan** rising 31 to 475p, **Trusthouse Forte** 24 to 242p and **Ladbroke** 33 to 400p.

The continuing recovery on Wall Street early yesterday encouraged a revival in international stocks.Trading conditions were again volatile but most stocks closed with useful gains on the day. **Glaxo**, one of the hardest hit over the past few day's, rebounded to close 1$\frac{11}{32}$ higher at £12½. **Wellcome** picked up 64 to 394p and **Fisons** rallied 44 to 306p. **Hanson**, were heavily traded again (some 27m shares changed hands) and the close was 23 higher at 139p. **Beecham** rallied 43 to 431, while **Reuters**, a particular US favourite, recouped 38 at 543p. Elsewhere, **British Aerospace**, assisted by news of the contract worth more than £150m to supply the Swiss Air Force with 20 Hawk MK66 advanced jet trainers, rallied 16 to 463p. **Reed International**, in which Mr Rupert Murdoch recently acquired a small stake, (some 2.5 per cent) regained 39 to 454p, but **Pearson** made only a modest recovery, closing 17 better at 810p. Favourable comment on the preliminary figures helped **C.H. Beazer** rise 13 to 234p.

In the Leisure sector, **Virgin Group** put on 13 to 127p; the company has acquired a 45 per cent stake in Mastertronics, the ultimate holding company for Mastertron Group, a publisher and distributor of computer softwear games. **Tottenham Hotspur** gained 10 to 170p in reply to the good annual results and optimistic statement.

Two big orders worth worth a total of £78m from car rental companies gave a major boost to **Rover**, up 37 at 100p, while **Jaguar** rebounded 38 to 448p with the trend in other blue chip issues. Motor Components rallied with **Kwik-Fit** reclaiming most of Tuesday's sharp fall to end 37 higher at 219p. **Lucas Industries** were an exception, managing a recovery of only 18 to 622p. Distributors also went better, **D.C.Cook** spurting 45 to 260p and **Lookers** 50 to 355p. **Hartwell** regained 15 to 124p and **Alexanders** 11 to 41p.

Paper/Printings registered substantial improvements but Newspapers were less noteworthy. **BPCC** picked up 18 to 265p and **Eucalyptus Pulp** added 125 at 800p. More than doubled interim profits raised **Conrad** 24 to 154p.

Properties gave a much steadier performance and marketmakers reported a good two-way business in the leaders. **Land Securities** moved up 20 to 498p and **MEPC**, results due next month, picked up 27 at 465p. **British Land** rallied 17 to 250p and **Great Portland Estates** recovered 30 to 274p. **Hammerson A** put on 33 to 598p ahead of today's half-yearly figures. Elsewhere, **Control Securities** rallied strongly and closed 18 higher at 71p and **Sheraton Securities** regained a similar amount at 91p. **Helical Bar** moved up 45 to 285p.

Shippings were noteworthy for a rally of 13 to 558p in **P. and O. Deferred**. Elsewhere, **Mersey Docks** units regained 42 to 345p.

Miscellaneous financial issues figured prominently in the rally. Gains of double-figure amounts were fairly numerous with **British & Commonwealth** showing a rise of 50 to 428p. **Smith New Court** recovered 20 to 270p, **Aitken Hume** pulled back 15 to 132p and **Abaco** were 9 better at 87p. **Baltic** responded to news of Banque Paribas' acquisition of a stake of 18.2 per cent, rising 12 to 235p, while sharply improved half-yearly profits left **Comprehensive Financial Services** 15 up at 250p. Smaller-priced stocks were highlighted by **London & Associated**, which jumped 11 to 44p.

Oil and gas issues provided outstanding performers in BP and British Gas where turnover topped 35m shares in each stock. BP raced up to 309p but dipped back to close a net 11 up at 297p with buying interest said to have emanated mainly from the "man in the street". The small investor was also responsible for a strong showing by **British Gas**, which moved ahead to 155p before closing 9 higher at 149p.

Overseas Traders lagged behind other sectors, making limited progress only. Tentative buying inquiries brought a modest rally in **Inchcape**, 37 higher at 727p, and **Polly Peck** came to rest a net 16 dearer at 319p. **Tozer Kemsley** bounced 8 to 112p but **Paterson Zochonis** settled lower at 350p on further consideration of the preliminary figures.

Traded option activity remained buoyant with a total of 119,142 contracts transacted consisting of 58,947 calls and 60,195 puts. Privatisation issues were popular, particularly British Gas which attracted 6,125 calls and 5,628 puts. BT registered 2,166 calls and 3,587 puts. The FTSE contract attracted 4,077 calls and 2,370 puts.

Traditional Options

- First dealings Oct 5
- Last dealings Oct 16
- Last declarations Jan 7
- For Settlement Jan 18

For rate indications see end of London Share Service

Call options were taken out in Eagle Trust, Hillsdown Holdings, J. Crowther, Pentland Industries, Barclays Bank, Allied Lyons, Rothmans, Wellcome, Arenson, B. Elliott, Control Securities, Morgan Grenfell, NatWest, (Clyde Petroleum, Premier Consolidated, Rexmore, FJC Lilley, Ossory Estates, Astra Holdings, Sound Diffusion, Boots, Cable and Wireless, Britoil, Jaguar, Blue Arrow, Marks and Spencer, Rolls-Royce, Bat Industries, BSR and Williams Holdings.

FINANCIAL TIMES STOCK INDICES

	Oct. 21	Oct. 20	Oct. 19	Oct. 15	Oct. 14	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.47	85.21	83.73	84.90	85.65	82.89	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.75	91.11	91.05	91.50	91.67	89.02	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1527.3	1439.2	1629.2	1812.9	1834.7	1262.4	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	396.8	427.6	444.2	436.3	438.2	286.6	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.97	4.21	3.70	3.32	3.28	4.41				
Earnings Yld.%(full)	9.72	10.33	9.07	8.15	8.06	10.15				
P/E Ratio (net) (*)	12.58	11.84	13.49	15.01	15.17	12.08				
SEAQ Bargains (5 pm)	103,680	78,969	56,790	34,797	35,468	—				
Equity Turnover (£m)	—	2814.33	2525.34	1629.09	1735.08	616.10				
Equity Bargains	—	80,974	55,708	39,910	43,062	30,890				
Shares Traded (ml)	—	952.0	708.4	514.8	673.2	319.9				

S.E. ACTIVITY

Indices	Oct. 20	Oct. 19
Gilt Edged Bargains	154.9	129.5
Equity Bargains	524.7	361.0
Equity Value	5688.5	5104.4
5-Day Average		
Gilt Edged Bargains	125.6	115.4
Equity Bargains	342.4	306.5
Equity Value	4666.2	4564.1

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1521.0	1522.9	1552.9	1491.0	1511.7	1527.0	1552.0	1527.1

Day's High 1554.8 Day's Low 1490.6 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 15.67 * Nil=12.41.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	10,000	169	+4
Allied Lyons	5,500	379	+27
Amstrad	7,600	147	+19
Argyll Group	5,000	186	+13
Assoc. Brit. Foods	708	322	+8
BAA	9,500	125	+7
BAT	11,000	539	+31
BET	2,300	257	+23
BICC	648	368	+25
BOC	2,700	423	+20
BPB Inds	2,100	301	+17
BPCC	2,400	265	+19
BTR	7,400	305	+20
Barclays	4,400	500	+37
Bass	1,600	870	+25
Beecham	8,600	431	+43
Blue Arrow	3,400	127	+9½
Blue Circle	1,000	404	+9
Boots	6,000	254	+6
Brit. Airways	9,700	175	+12
Brit. Aero	2,700	463	+16
Brit. & Comm.	1,700	428	+50
British Gas	35,000	149	+9
Britoil	3,900	267	+20
BP	33,500	297	+11
Brit. Telecom	20,000	237	+14
Bunzl	2,000	206	+3
Burton	5,800	244	[illegible]
Cable & Wire	11,500	406	+18
Cadbury Schwps	7,700	235½	+7
Coats Viyella	2,400	335	+23
Comm. Union	6,400	403	+24
Cons. Gold	798	£10¾	−0½
Cookson	1,600	610	+52
Courtaulds	1,800	446	+12
Dee Corpn	6,500	194	+13
Dixons Group	7,200	319	+3
English China Clays	867	473	+7
Fisons	6,400	306	+44
Gen. Accident	541	885	+22
Gen. Elect	15,000	201	+12
Glaxo	6,000	£12½	+1$\frac{11}{32}$
Globe Investment	569	163	+10
Granada	1,700	302	+1
Grand Met	7,250	475	+31
GUS "A"	1,100	£12	+0½
Guardian R.E.	297	873	+8
GKN	2,600	339	+15
Guinness	4,400	304	+37
Hammerson	356	598	+33
Hanson Trust	28,000	139	+23
Hawker Sidd	1,600	461	+19
Hillsdown Hldgs	2,000	305	+25
ICI	6,000	£13	+0½

Stock	Volume 000's	Closing price	Day's change
Jaguar	3,800	448	+38
Ladbroke	1,500	400	+33
Land Securities	3,700	498	+20
Legal & Gen.	1,700	313	+33
Lloyds Bank	2,200	315	+23
LASMO	1,000	332	+26
Lonrho	4,900	285	+10
Lucas	1,100	622	+18
MEPC	1,600	465	+27
Marks & Spencer	22,000	220	+7
Midland Bank	3,100	453	+30
Natwest Bank	7,000	608	+85
Next	3,200	299	+23
Pearson	1,200	810	+17
P & O	1,600	558	+13
Pilkington Bros	8,600	282	+14
Plessey	6,600	186	+4
Prudential	2,000	883	+58
Racal	9,100	268	+10
Rank Org.	1,300	588	+25
RHM	642	314	−1
Reckitt & Col	418	898	+55
Redland	1,200	471	+14
Reed Intl	3,100	454	+39
Reuters	4,500	543	+38
RTZ	1,800	945	−25
Rolls-Royce	10,000	166	+13½
Rothmans Intl	2,400	433	+28
Rowntree	491	443	+7
Ryl Bank Scotland	796	345	+22
Royal Insurance	1,500	445	+17
STC	6,300	258	+25
Sainsbury	3,900	239	+18
Scott & Newcastle	3,300	224	—
Sears	7,000	136	+8½
Sedgwick	669	265	+17
Shell Trans	3,500	£11¼	+0½
Smith & Nephew	2,800	162	+18
Standard Chart	1,200	640	+37
Storehouse	14,000	317	+31
Sun Alliance	1,500	895	+25
TSB	8,500	114	+9
Tarmac	4,400	271	+25
Tesco	9,300	168	+12
Thorn EMI	3,200	605	+12
Trafalgar House	2,200	370	+6
T'house Forte	6,600	242	+24
Ultramar	3,500	235	+10
Unilever	2,400	525	+60
United Biscuits	1,800	264½	+21½
Wellcome	3,700	394	+64
Whitbread "A"	2,600	306	+32
Woolworth	2,700	332	+31

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (3)

TRUSTS (2),Fashion & Gen., Johnson Fry, OVERSEAS TRADERS (1), Nesco Invs.

NEW LOWS (83)

AMERICANS (28), CANADIANS (19), BANKS (3), STORES (1), ELECTRICALS (3), ENGINEERING (1), INDUSTRIALS (2), INSURANCE (5), NEWSPAPERS (1), PAPERS (2), TRUSTS (4), OILS (2), PLANTATIONS (3), MINES (9).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	93	9	10
Corporations, Dominion and Foreign Bonds	20	7	28
Industrials	1,112	200	274
Financial and Properties	419	94	117
Oils	74	15	25
Plantations	2	6	6
Mines	37	100	58
Others	124	90	49
Totals	1,881	521	567

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Oct 21 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tue Oct 20 Index No.	Mon Oct 19 Index No.	Fri Oct 16 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (214)	854.68	+4.8	8.20	3.31	15.32	18.17	815.65	913.75	1084.20	649.38
2	Building Materials (30)	1094.94	+5.5	8.48	3.36	14.69	22.79	1038.08	1136.82	1234.60	769.23
3	Contracting, Construction (33)	1597.74	+4.2	7.80	3.15	17.12	29.46	1533.59	1712.76	1867.74	1088.69
4	Electricals (14)	2169.45	+5.0	8.41	4.00	15.52	54.41	2066.46	2330.15	2539.18	1744.50
5	Electronics (34)	1839.83	+5.7	8.78	2.74	14.84	34.90	1740.56	1930.21	2153.94	1389.58
6	Mechanical Engineering (60)	453.65	+3.5	8.06	3.53	15.61	10.90	438.33	494.13	542.37	359.63
8	Metals and Metal Forming (7)	479.75	+2.8	8.21	3.39	14.84	9.11	466.53	537.34	588.39	372.26
9	Motors (14)	331.19	+5.2	8.79	3.39	13.32	5.86	314.63	364.64	406.84	265.58
10	Other Industrial Materials (22)	1442.97	+4.7	7.23	3.60	16.45	36.48	1377.83	1566.12	1716.72	1212.73
21	CONSUMER GROUP (183)	1140.36	+7.3	7.24	3.08	17.57	18.23	1063.15	1203.92	1334.43	912.65
22	Brewers and Distillers (22)	1057.79	+6.9	9.52	3.49	13.27	17.52	989.34	1114.65	1208.38	908.04
25	Food Manufacturing (23)	885.12	+5.2	8.33	3.51	15.51	16.66	841.24	927.56	1024.37	698.60
26	Food Retailing (16)	2150.86	+6.1	6.85	2.75	19.45	39.17	2026.34	2255.15	2438.43	1886.81
27	Health and Household Products (10)	1972.42	+15.1	5.70	2.25	20.30	16.41	1714.22	2002.82	2328.95	1503.94
29	Leisure (30)	1268.04	+6.5	6.32	3.57	19.76	28.12	1190.12	1328.36	1479.29	899.69
31	Packaging & Paper (16)	614.25	+2.9	6.72	2.89	19.58	10.96	597.06	647.66	711.03	468.76
32	Publishing & Printing (15)	3903.86	+5.6	5.18	3.63	24.75	67.36	3695.34	4287.85	4980.95	2462.84
34	Stores (35)	954.91	+5.4	7.39	3.08	18.32	15.23	905.61	1040.78	1131.16	850.71
35	Textiles (16)	763.68	+5.2	8.27	3.02	13.99	12.45	726.28	810.49	894.16	522.05
40	OTHER GROUPS (86)	968.40	+5.8	8.99	3.67	13.86	20.69	915.23	1035.32	1158.37	764.46
41	Agencies (17)	1248.15	+5.2	5.02	1.82	26.15	15.86	1186.70	1415.09	1630.37	0.0
42	Chemicals (21)	1244.52	+3.6	7.92	3.69	15.44	32.85	1201.56	1347.72	1512.48	992.39
43	Conglomerates (13)	1243.76	+10.0	8.26	3.76	13.84	22.14	1130.99	1330.10	1513.62	0.0
45	Shipping and Transport (11)	2009.44	+3.0	8.43	4.09	15.58	51.44	1950.28	2175.98	2356.81	1506.57
47	Telephone Networks (2)	960.87	+5.9	10.55	4.21	12.64	18.98	907.30	996.23	1087.35	739.06
48	Miscellaneous (22)	1412.90	+6.1	10.71	3.35	11.13	32.57	1331.41	1503.31	1711.67	1064.40
49	INDUSTRIAL GROUP (483)	1033.49	+6.2	7.97	3.30	15.81	19.44	973.12	1098.49	1217.95	813.96
51	Oil & Gas (17)	1867.38	+5.0	9.18	5.25	13.44	65.73	1778.41	1939.32	2156.80	1383.14
59	500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (120)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	552.42	+3.1	—	4.99	—	15.97	535.96	591.70	690.77	469.23
67	Insurance (Brokers) (8)	1058.39	+6.0	10.49	5.41	12.20	38.19	998.77	1101.37	1230.22	1249.79
68	Merchant Banks (12)	444.75	+2.2	—	2.97	—	8.69	435.33	490.68	533.76	331.46
69	Property (48)	1119.02	+4.7	4.31	2.66	29.97	15.03	1068.57	1195.82	1309.76	769.66
70	Other Financial (28)	501.94	+6.9	7.10	3.19	17.92	10.24	469.51	539.98	598.33	346.75
71	Investment Trusts (88)	1014.24	+4.3	—	2.43	—	14.44	971.98	1106.78	1195.28	805.53
81	Mining Finance (2)	492.30	−3.9	9.23	3.55	12.20	20.41	512.24	606.87	672.89	327.77
91	Overseas Traders (10)	1089.10	+2.9	8.45	4.49	13.86	29.58	1058.25	[illegible]	[illegible]	726.43
99	ALL-SHARE INDEX (720)	1007.47	+5.8	—	3.64	—	22.01	951.95	1072.40	1189.92	789.16

	Index No.	Day's Change	Day's High	Day's Low	Oct 20	Oct 19	Oct 16	Oct 15	Oct 14	Year ago
FT-SE 100 SHARE INDEX ♣	1943.8	+142.2	1983.1	1897.5	1801.6	2052.3	2301.9	2301.9	2322.9	1589.6

FIXED INTEREST

	PRICE INDICES	Wed Oct 21	Day's change %	Tue Oct 21	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.69	+0.31	120.32	—	9.45
2	5-15 years	133.02	+0.24	132.71	—	12.01
3	Over 15 years	140.50	+0.61	139.64	—	12.02
4	Irredeemables	156.11	+0.03	156.07	—	8.81
5	All stocks	131.21	+0.32	130.79	—	11.20
	Index-Linked					
6	5 years	119.50		119.49	—	2.18
7	Over 5 years	104.78	+0.16	104.61	—	2.89
8	All stocks	105.85	+0.15	105.70	—	2.82
9	Debentures & Loans	113.83	+0.32	113.47	—	8.07
10	Preference	82.58		82.58	—	4.95

	AVERAGE GROSS REDEMPTION YIELDS		Wed Oct 21	Tue Oct 20	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.66	9.68	9.74
2		15 years	9.95	10.03	10.32
3		25 years	9.74	9.79	10.33
4	Medium Coupons	5 years	10.28	10.36	11.09
5		15 years	10.18	10.24	10.69
6		25 years	9.91	10.01	10.35
7	High Coupons	5 years	10.35	10.38	11.21
8		15 years	10.36	10.43	10.89
9		25 years	9.98	10.08	10.46
10	Irredeemables†		9.97	9.96	10.09
	Index-Linked				
11	Inflation rate 5%	5yrs	3.78	3.78	4.39
12	Inflation rate 5%	Over 5 yrs	4.53	4.54	3.80
13	Inflation rate 10%	5 yrs	3.90	3.89	2.93
14	Inflation rate 10%	Over 5 yrs	4.56	4.57	3.63
15	Debs & Loans	5 years	11.83	11.86	11.53
16		15 years	11.63	11.67	11.55
17		25 years	11.44	11.49	11.56
18	Preference†		11.03	11.03	[illegible]

♣Opening index 1914.4; 10 am 1938.6; 11 am 1975.1; Noon 1901.4; 1 pm 1920.8; 2 pm 1941.2; 3 pm 1974.7; 3.30 pm 1950.3; 4 pm 1948.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA

GERMANY

SPAIN

AUSTRALIA (Continued)

JAPAN (Continued)

BELGIUM/LUXEMBOURG

SWEDEN

HONG KONG

DENMARK

SWITZERLAND

ITALY

FINLAND

JAPAN

SINGAPORE

NETHERLANDS

FRANCE

AUSTRALIA

SOUTH AFRICA

NORWAY

CANADA

TORONTO

Prices at 2.30pm October 21

MONTREAL

Closing prices October 21

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

TORONTO	Oct 21	Oct 20	Oct 19	Oct 16	1987 High	1987 Low
Metals & Mins	2,530.5	2,379.9	2,942.8	3,288.2	3,587.5 (6/10/87)	1,988.2 (2/1/88)
Composite		2,952.8	3,272.1	3,598.6	4,112.9 (13/8)	3,867.8 (2/1/88)
MONTREAL Portfolio	1,811.38	1,494.86	1,591.15	1,762.83	2,224.77 (12/12)	1,534.3 (2/1/85)

* Indicates pre-close figure

SPAIN Madrid SE (30/12/85)	(u)	280.24	302.51	307.53	325.44 (6/10)	202.89 (8/5)
SWEDEN Jacobson & P. (31/12/56)	2963.70	2747.36	2954.17	3149.10	3550.40 (9/10)	2111.39 (28/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	631.8	603.3	628.3	705.2	729.7 (5/10)	559.7 (25/2)
WORLD M.S Capital Intl. (1/1/70)	(u)	386.4	421.3	478.1	495.9 (27/8)	361.3 (2/1)

** Saturday October 17 Japan Nikkei (c), TSE (c)

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500, NYSE All Common – 50; Standard and Poor's – 10, and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed (u) Unavailable

LONDON – Most Active Stocks
Wednesday, October 21, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	35.0m	140	+9	Gen Elec	15.0m	201	+12
BP	33.5m	297	+11	Storehouse	14.0m	317	+31
Hanson Tr.	28.0m	128	+23	Cble & Wire	11.5m	406	+18
Mks & Spncr	22.0m	220	+7	BAT	11.0m	530	+31
Brit Telecom	20.0m	237	+14	ASDA-MFI	10.0m	169	+4

TOKYO – Most Active Stocks
Wednesday, October 21, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Sd	105.73m	410	+25	Sumitomo Metal	25.59m	310	+41
Kawasaki Sd	60.34m	315	+58	Hitachi Ltd	23.78m	1,300	+108
Mitsubishi Heavy Ind.	58.08m	688	+71	Toshiba	17.76m	731	+55
Fujitsu	40.08m	1,310	+110	NEC	15.61m	2,170	+260
Nippon Kokan	28.83m	328	+38	Kobe Sd	15.47m	380	+60

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
AT&T	8,982,700	26⅝	+3¼	Gillette	5,999,400	26	+2
Gen Elec	7,131,600	46¼	+4⅞	Amer Express	5,271,000	25¾	+2⅜
IBM	7,025,500	116	+12	Ford Motor	5,253,100	73	+4
Dayton Hudson	6,677,900	28¼	−3⅛	Exxon	4,256,600	39½	+6
Santa Fe	6,305,000	47⅞	+5⅞	USX Corp	4,199,700	24⅝	+3⅛

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 47

North American quarterly results

Continued from Page 25

HARTMARX Clothing

MANVILLE Building products

NBD BANCORP Banking

PACIFIC TELESIS Telecommunications

HASBRO Toys and games

MARRIOTT Hotels

NCNB Banking

PHELPS DODGE Copper mining

HILTON HOTELS Hotels

McGRAW-HILL Business publishing

NORTH AMERICAN PHILIPS Electrical and electronic products

CHARLES SCHWAB Discount brokerage

IC INDUSTRIES Consumer, commercial prods

MORTON THIOKOL Chemicals, salt, aerospace

NORWEST Banking, financial services

STORAGE TECHNOLOGY Computer peripherals

ICN PHARMACEUTICALS Drugs

NATIONAL CITY CORP Banking

NOVA CORP OF ALBERTA Energy

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:

Abb. Life	268	+ 45	Brit Telecom	237	+ 14	Hanson Tr.	139	+ 23	Reed Intl.	454	+ 39
Aitken Hme	132	+ 15	Comm. Union	403	+ 24	Jaguar	448	+ 38	Rlls Ryce	106	+ 13½
Amstrad	147	+ 19	GEC	201	+ 12	Kwik-Fit	219	+ 37	Rover	100	+ 37
Beecham	431	+ 43	Glaxo	£12⅛	+ 1⅞	Ladbroke	400	+ 35	STC	256	+ 25
Brit & Comm.	428	+ 50	Grand Met.	475	+ 31	Lnd Secs	498	+ 20	Smth New Crt	270	+ 20
			Guinness	304	+ 37	MEPC	465	+ 30	Tarmac	371	+ 25
						Marley	164	+ 24	Whitbread A	306	+ 32

Prices at 3.00pm, October 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from Page 46

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13½	3⅛	Phlcrp n				217	3¾	3⅝	3½	
71	44¼	PiedAv .32	.5	14	2358	60	58½	58¾	+3¾
26¼	18	PiedNG 1.32	6.8	9	69	19⅝	18⅞	19⅝	+⅝
14⅝	4¾	Pier 1 .06	.7	11	1062	8⅝	7⅞	8⅝	+1⅛
9½	5⅝	PilgRg .27e	4.2		489	6⅝	6	6⅝	+⅝
15⅝	5¾	PilgPr n.04e	.6	7	208	6¾	6	6⅝	+⅝
48⅞	28	Pilsby s 1	2.8	16	1985	35⅞	33½	35¼	+2¼
32¾	26¾	PloWst 2.86	9.8	8	721	29½	28¼	29⅞	+1⅞
45¼	22¼	PionrEl .13e	.4	49	35	35	35	35	+½
50¼	29⅝	PitnyB s .76	2.1	19	2769	36¼	33½	36⅞	+4⅛
18⅝	10	Pittstn		44	1418	11⅞	10½	11⅝	+⅞
21⅝	11⅞	PierD pn.20			5317	15¼	14⅝	15⅝	+1⅞
33¾	19⅝	PlainsP .05e	.2	43	240	21¼	19⅞	21¼	+1⅞
25¼	14¾	Plantrn .16	1.0	11	91	16	15½	16	+1
16⅝	8⅞	Playboy		15	17	10⅞	10½	10⅞	+⅜
40¾	23⅛	Plessey		14	2	33½	33	33	−1
	3½	PogoPd			515	5	4⅝	5	+1
42¾	18½	Polaroid .60	2.6	13	6985	24½	23	23⅝	+3
27¼	10½	PopTals .44	2.4	8	256	18¼	16⅝	18¼	+2⅛
16⅞	9	Portec			32	9½	9	9½	
34½	20¾	PortGC 1.96	8.5	12	183	23½	22⅝	23	+½
29½	25	PorG pf2.60	9.9		1	26⅜	26⅜	26⅜	+⅝
41⅞	21	Potlich s.92	3.5	9	288	26	25½	26	+4
27⅞	19	PotmE s1.30	5.8	11	1343	23½	21	22½	+2½
31¾	17½	Premk n .32	1.4		845	22½	21½	22½	+3½
48¾	27¾	Premis .44	1.2	21	67	37½	35¾	37½	+1⅞
26⅝	21	Primrk 1.30	6.0	8	211	21¾	21¼	21½	+⅝
31	12⅛	PrimeC		16	5871	18½	17¼	17⅝	+2¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37	14⅝	Zayre .40	1.9	8	8768	22¼	20	21½	+2¾
16⅝	11⅛	Zemex .40	3.1	8	59	13⅝	12½	12⅞	−⅞
33⅝	11½	ZenithE		66	3761	17½	14½	17	+2⅞
13½	3⅝	ZenLab			3922	5¼	3⅝	4⅞	+1
25½	16	ZenNtl .80	4.9	10	4048	16¾	16	16⅝	+⅝
20⅝	13⅛	Zero .36	2.4	15	51	15⅛	14½	14⅞	+⅝
30¾	15	Zurnln s.88	3.6	13	523	19¼	17¼	19	+3⅝
10⅝	7⅝	Zweig .88e	7.5		1216	8⅛	8⅝	8⅞	+⅝

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3.00pm, October 21

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

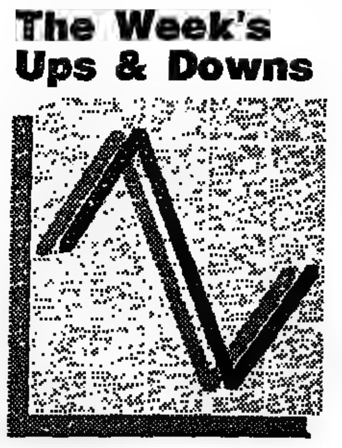
Nasdaq national market, 2.30pm prices

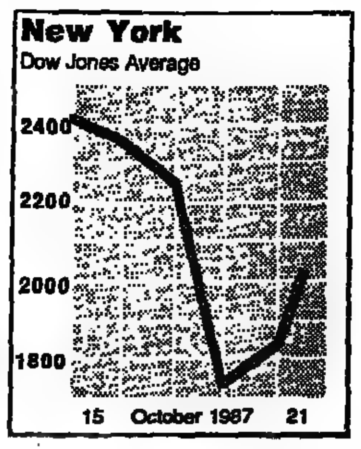
Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

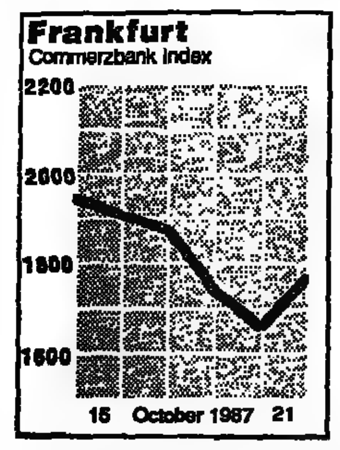
Continued on Page 45

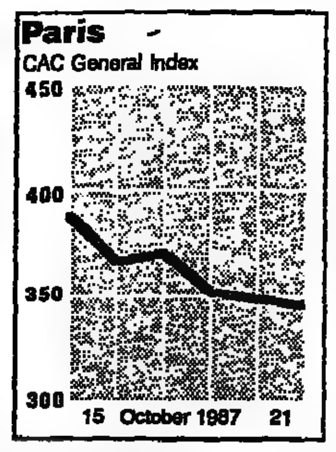
FINANCIAL TIMES

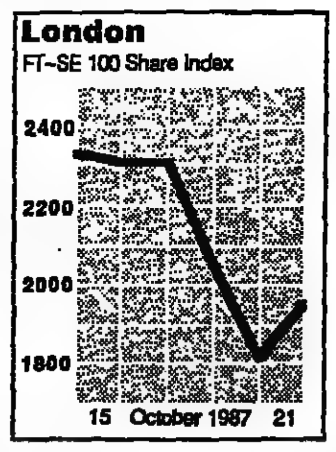
WORLD STOCK MARKETS

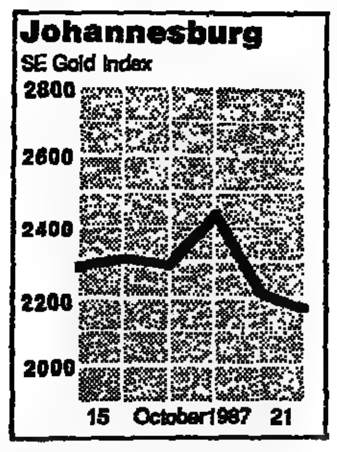


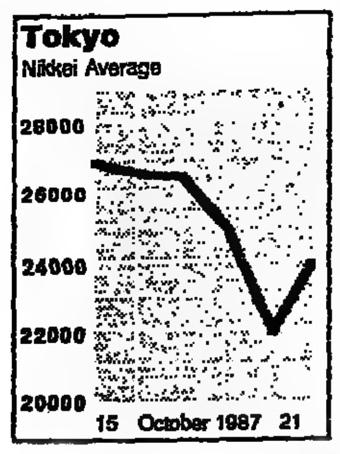


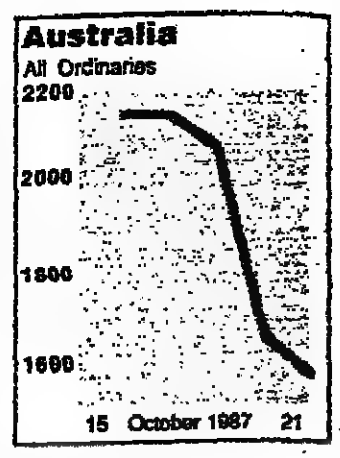












AMERICA

Buyers stampede to drive Dow into record rally

WALL STREET

A TIDAL wave of buy orders broke over Wall Street yesterday driving up stock prices by a record amount, *writes Roderick Oram in New York.*

Equities, showing remarkable resilience to the volatility, managed to hold on to their gains in a market-wide rally. The tone was more positive and less jittery from Tuesday's when an equally fast start was rapidly reversed, bringing near-paralysis to the New York Stock Exchange.

The Dow Jones Industrial Average closed up a record 186.84 at 2,027.85, almost double the previous record rise in points terms set the day before. In percentage terms, the rise was 10 per cent and brought to 288 points the two-day recovery from the historic 508-point drop om Monday.

Analysts cautioned though that the rise was largely a knee-jerk reaction to the monumental sell-off on Monday and stocks are not out of the woods yet.

Broader market indices followed suit, breaking the previous day's trend in which secondary and tertiary stocks had continued to fall. The Nasdaq over-the-counter composite index was up 24.07 at 351.86 and the American Stock Exchange composite index was up 23.81 to 281.97.

The Standard & Poor's 500 and the New York Stock Exchange composite indices rose record amounts of 21.55 to 258.39 and 11.98 to 145.02 respectively.

Trading volume remained exceptionally heavy with the NYSE logging almost 450m shares, its third heaviest ever after the first two days of this week. The rally was of almost unprecedented breadth with advancing issues overwhelming those declining by a ratio of eight-to-one. Despite the index gains the previous day, declining shares had outnumbered advancing by three-to-one.

Yesterday's session started with a large number of stocks, particularly in the Dow industrial average halted because buy orders swamped sell orders. Once indicated prices rose sufficiently to generate a rough match between buy and sell, trading in them started. IBM was one of the last stocks to start at around 10.30 and it went on to close up $7¾ at $122¾.

The Dow Jones Industrials swung widely in a range of about some 70 points but each time it dipped it recovered. Programmes arbitraging between stocks and stock index futures were largely absent from the markets.

Institutions were heavy buyers of stocks and the pace of mutual fund redemptions by small investors slowed considerably. Stocks were also helped by the rush by companies to buy back their shares like miners stampeding to file gold mining claims. The move was widely seen as a positive action helping to underpin the markets.

"Corporate buybacks are the only stabilising influence out there," said Mr Jeffrey Miller, managing partner of Miller Tabak Hirsch, a New York investment firm.

Among companies buying their shares, Allegis rose $5½ to $75¾, Chrysler rose $1½ to $30, Citicorp gained $1 to $45, Ford jumped $5 to $77, Merrill Lynch gained $3⅝ to $29⅝.

The general trend of strong increases in third-quarter profits continued yesterday. Along those turning in better performances, McDonald's rose $4½ to $43½, Morgan Stanley added $5¼ to $60¾, ITT rose $3¼ to $53, Squibb was ahead $5 to $75 and Maytag was up $⅝ to $40½.

In the takeover arena, Trans World rose $5 to $19. Mr Carl Icahn, its chairman who has majority control of the airline, said he would buy shares in the open market to consolidate his control. He earlier dropped a $45 a share cash and securities offer to minority shareholders.

In credit markets, prices continued to swing widely as bonds tried to find a stable level at which to ride out continuing turmoil in financial markets.

The Treasury's 8.75 per cent benchmark long bond moved within a range of more than a point above its previous close. By late afternoon it was up 7/32 at 94 11/32 yielding 9.43 per cent.

Overall, though, the markets were somewhat less frantic than earlier in the week. The long bond price swung through 13 points from its Monday low to its Tuesday high.

Credit markets continued to be helped substantially by the Federal Reserve Board. As expected, it did one-day system repurchases to add more reserves to the banking system. The Fed Funds rate at which banks lend reserves to each other opened at 5¾ per cent and closed at 7 per cent.

CANADA

THE TORONTO stock market rebounded with a vengeance yesterday from the unprecedented losses incurred earlier in the week, before levelling off in afternoon trading, *writes David Owen in Toronto.*

At 4pm, the benchmark TSE-300 composite index was up a remarkable 285.61 points at 3262.92 on volume of about 20 per cent below Tuesday's 77.2m-share record. This represented a gain of almost 10 per cent from Tuesday's close and wiped out nearly half of the devastating nosedive which began with Monday's opening bell. Closing figures were again delayed considerably due to the heavy volume of trading.

The market portfolio index in Montreal also rose strongly, putting on 128.86 points by 3pm to stand at 1623.79. Unlike Toronto, volume was well above yesterday's levels at 11.3m shares.

All 14 industry sub-indices in Toronto gained ground, with golds, transportation and hi-tech initially in the vanguard.

Johannesburg golds suffer in sell-off

AS IF the market itself didn't have enough problems, trading was curtailed in Johannesburg yesterday by a computer malfunction, *writes Jim Jones in Johannesburg.*

Trading opened two hours late at 11am, to allow brokers time to complete overnight bookwork, and closed a quarter of an hour early at 3.45pm to give brokers a head start on booking the day's transactions.

Even so, there was another wave of selling as private investors who had missed the news on Tuesday began to offload shares and Johannesburg began to take greater amounts of scrip from London and Wall Street.

Gold shares were again the focus of selling pressure despite the metal's comparative steady price. According to brokers, much of the activity came as blue chip gold mines were marked down in London as they were ditched by US mutual funds. In Johannesburg, mutual fund managers were tight-lipped about the level of redemptions, but stockbrokers believe redemptions have surged.

On Tuesday night some desperate US brokers apparently offered De Beers to their Johannesburg counterparts at prices as low as R37 a share. That helped drop the diamond company's price in early trading yesterday, although some was recouped in the afternoon. De Beers finally closed at R43, a drop of R3 on the day.

Computer problems meant that indices were unreliable throughout the day. Initial indications, however, were that the market as a whole had dropped, with the all-share index slipping to 2,447 from Tuesday's close of 2,474. The all-gold index suffered a larger drop to 2,167 from Tuesday's 2,205.

Rod Oram and Deborah Hargreaves on a row between Chicago and New York

Plug pulled on programmed trades

THE New York Stock Exchange's de facto curb on programme trading remained in place yesterday as relations between the stock and futures' communities continued to be somewhat uneasy.

Despite the enormous strains put on the traders in the Chicago futures pits by collapsing and then rebounding prices, they continued to function effectively yesterday. Exchange and regulatory officials said they saw no signs of major difficulties, although some individual firms had been hit hard by this week's events.

In the last couple of days as many as 100 traders - around a quarter of the number in the pit on a normal day - have left the Chicago Mercantile Exchange's Standard and Poors 500 futures pit. These were mainly locals who trade for their own account and were not willing to run the risk of being wiped out in the chaotic markets.

Several have been forced to cash in their seats to recoup losses and so far 22 seats of the CME's cheapest variety - an index and options membership - have been sold. However, seat prices, which dipped to $110,000 on Monday from a level of $145,000, recovered yesterday to around $130,000.

The NYSE had asked its members on Tuesday not to use its automated order entry system to buy or sell baskets of stocks used in arbitrage plays against stock index futures. When there is a gap between the price of futures and stocks, arbitrageurs take opposite actions in the two markets to lock in the profits.

Chicago Mercantile Exchange: up in arms with New York

The exchange said it took the action to ensure it would have maximum operating capacity to handle the onslaught of orders this week. It would be practical but much harder to arbitrage by placing orders manually.

Some index arbitrageurs and players in the Chicago pits were highly concerned, however, that the exchange was in fact trying to curb the programme trades, which have been blamed in some quarters for contributing to stock market volatility this week.

For their part, futures exchanges in Chicago, New York and Kansas City had to halt trading for almost an hour on Tuesday because many of the stocks underlying their futures instruments had halted trading in New York due to order imbalances.

The programme trading practice was not in evidence in Chicago in early trading yesterday. In fact, the relationship between cash and futures prices has been so out of line in the last couple of days that it has been difficult to execute programme trading.

For this reason, the Chicago exchanges feel programme trading has been unfairly accused for causing the wild swings in underlying stock prices. One observer privately voiced the opinion that programme trading is being used as "a licking boy" for those who find it hard to explain what is going on in the market. But it can certainly make an exodus from the market much quicker and can exaggerate moves in stock prices.

Many users of futures and other derivative instruments said that futures markets had performed well.

"Operationally, the futures market is in better shape than the stock exchange," said Mr Louis Margolis of Salomon Brothers. He believed the stock exchange imposed its ban for operational reasons rather than as an attempt to curb programme trading.

Although futures markets have been "somewhat impacted" by this week's events, they are still functioning well, he added.

It appears, though, that the use of some derivative instrument trading techniques has slowed down considerably for a variety of practical reasons. So hectic is the pace of trading in the pits and on the exchange floor, for example, that arbitrageurs cannot be sure of the exact prices of execution for their orders, which makes the arbitrage risky.

EUROPE

Scramble for bargains lifts Europe

BARGAIN-HUNTERS scrambled to pick up quality European stocks in the frenzied manner of an autumn sale, lifting prices sharply and often pushing trading systems to their limits, *writes our market staff.* But although most bourses recovered much of the past two sessions' falls, none recovered the levels of early last week.

FRANKFURT rose sharply to close near the day's peaks in a barrage of institutional bargain-hunting which strained the order system in many banks. Heavy turnover again forced extended trading. The Commerzbank index, measured midsession, leapt 110.9, or 6.6 per cent, to 1,780.3.

Demand for quality was fierce. In banks, Deutsche soared DM67 to DM597, Dresdner jumped DM11 to DM321 and Bayernhypo gained DM33 to DM430. Insurer Allianz made up DM176, or 13.9 per cent, to DM1,438.

Akzo starred among firmer retailers with an 18.3 per cent rise of DM110 to DM710. Metal and engineering issues gained solidly.

Cars were perceived as particularly undervalued and Daimler jumped DM101 to DM985 and BMW rose DM43 to DM637. VW added DM31.10 to DM351.

BASF and Bayer led chemicals with gains of DM8.30 to DM308 and DM23.50 to DM327.50 in turn. Hoechst was DM3.50 better at DM294.50. Siemens moved up DM23 to DM598 and AEG climbed DM23 to DM307. Computer stock Nixdorf forged ahead DM45 to DM745.

ZURICH surged in frenetic buying which threatened to overload trading systems. Confidence was revived by recoveries of the dollar and Wall Street's poise.

Banks improved. Union Bank added SFr200 to SFr4,450 and Credit Suisse SFr85 to SFr3,010.

The Key Market Monitors have been dropped from today's edition to accommodate more reports on the sharp movements in markets around the world. Market indices, lists of the most active stocks and London's chief price changes can be found on Page 45

Swiss Re added another SFr500 to SFr17,000 and fellow insurer Winterthur rose SFr75 to SFr6,575.

Engineers, bypassed in Tuesday's modest rally, caught up with the market. Brown Boveri picked up SFr250 to SFr2,615 and Georg Fischer SFr80 to SFr1,430. Alusuisse was SFr 10 firmer at SFr780 and Schindler SFr100 up at SFr5,150.

Foods continued their revival, with Nestle up SFr350 to SFr9,800 and Jacobs Suchard rising SFr250 to SFr9,450.

BRUSSELS rose strongly on the crest of a buying wave which delayed both in the session's opening and close. The logjam of orders also disabled the release of market indices.

Chemicals featured particularly as confidence returned to all sectors. Solvay and Gavaert made gains of BFr950 and BFr500 each to BFr12,600 and BFr7,800 respectively. Petrofina was also ahead, closing up BFr500 at BFr11,450.

Groupe Bruxelles Lambert revived a further BFr290 to BFr3,600 in holdings, as Almanij picked up BFr700 to BFr5,280.

Generale led banks higher with a BFr490 gain to BFr5,490, with Kredietbank climbing BFr250 to BFr3,880.

PARIS accelerated from Tuesday's advance in busy late trade after prices wavered early on foreign selling. The chairman of the Paris stockbrokers association, Mr Xavier Dupont, said he was confident the market was set to recover. "Stockmarkets are excessive by nature," he said. "One has to accept their character."

Quality issues paced the market, with Peugeot adding another FFr35 to FFr1,335, Lafarge-Coppee rising FFr19 to FFr1,379 and Cie du Midi climbing FFr26 to FFr1,036.

Mr Xavier Dupont: "Stockmarkets are excessive by nature"

Thomson-CSF, though, suffered a relapse with a FFr85 fall to FFr1,000 on pessimism over the group's 1987 results. Elf also fell back, by FFr6 to FFr280.

AMSTERDAM sustained a broad and strong rally on optimism that New York had consolidated its overnight rally. The all-share index ended 5.9 up at 84.8, a climb of 7.5 per cent.

Internationals built on Tuesday's gains in heavy dealing, with KLM rising Fl6 to Fl42.50, Philips Fl5.50 to Fl43.50 and Akzo Fl 15 to Fl144. Unilever bounced up Fl 17.50 to Fl118 and Royal Dutch improved by Fl 20.80 to Fl225.90.

MILAN advanced in heavy and edgy trade which centred on blue chips. Trading was extended by almost an hour to cope with huge turnover. The MIB index rose 3.93 per cent to 847.

Fiat ordinaries firmed L209 to L10,859, Montedison inched L26 higher to L2,026 and Olivetti jumped L600 to L10,400. Merchant bank Mediobanca was up L4,800 at L239,600.

Generali soared L5,350 to L101,350 as insurers recovered from their pummelling. RAS notched a 5.1 per cent rise of L2,200 to L45,300.

MADRID toppled from a strong opening to deepen its losses in steadier, if unenthusiastic trade. The general index fell 4.92 to 280.24.

Utilities crept higher, but foods and construction stocks fell sharply. Banks eased.

Market leader Telefonica slid 9.5 percentage points to 179.50 per cent of nominal market value.

STOCKHOLM won back a third of its losses over the past two sessions in keen bargain hunting inspired by Wall Street's opening rally. Lower domestic interest rates also lent buoyancy. The Affarsvaerlden general index leapt 5.3 per cent to 885.5, a 44.6 point rise. Most stocks firmed in heavy trade of SKr677m.

OSLO bounced back strongly, with leading quality issues recovering about half of Tuesday's record losses. The all-share index closed up 35.13 at 353.05.

Banks made the best ground, led by Bergen's NKr30 jump to NKr195. Christian Bank was NKr25.5 at NKr205. Elsewhere, Norsk Hydro gained NKr30 to NKr215 and industrial Orkla-Borregard added NKr52.5 to NKr445.

Confidence in Tokyo prompts strong recovery

TOKYO

CONFIDENCE in the Japanese economy combined with the strong overnight rally on Wall Street to send Tokyo substantially higher yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average recouped more than half the ground lost in Tuesday's record fall to end up 2,037.32 points, or 9.3 per cent, to 23,947.40.

The rise was the second highest after the 11.3 per cent registered on December 15 1949. Advances led declines 693 to 27, with 13 issues unchanged and turnover swelled from 485m shares to 1.12bn.

Investors remained nervous but drew confidence from the fact that after yesterday's recovery, the Tokyo market is only 10 per cent off its all-time peak - in contrast to Wall Street which, relatively, has fallen much further.

US issues proved popular and recorded sharp gains as the overnight robust rally on Wall Street prompted individuals, corporations and securities firms to issue buy orders from the outset of trading.

Meanwhile, institutions stayed on the sidelines, although some of them bought steels, shipbuilders and electric railways in light volume. But mostly they decided to wait and see what trends would emerge in New York and London on Wednesday.

Thus, 142 shares registered maximum gains compared with 597 shares which took maximum losses in the previous session.

Nippon Steel, which shed Y64 the previous day, improved Y25 to Y410 on the largest volume of 106.73m shares, while Kawasaki Steel rose Y59 to Y315. Mitsubishi Heavy Industries rebounded Y71 to Y680, while Hitachi rallied Y100 to Y1,300.

High-tech issues bounced back on renewed buying in late trading after dipping on profit-taking at midday: NEC, which lost a maximum Y400 the previous day, climbed Y260 to Y2,170.

Bonds firmed in reaction to reports that the Bank of Japan was considering a more flexible monetary policy. The central bank bought Y200bn of three-month commercial bills, raising speculation that it has eased its policy of guiding short-term interest rates higher and has decided not to raise its discount rate for the time being in concert with its US and West German counterparts.

The yield on the benchmark 5.1 per cent government bond due in June 1996 dropped from Tuesday's 5.710 finish to 5.580 per cent in block trading on the Tokyo Stock Exchange. It later fell further to 5.550 per cent in inter-dealer trading.

On the Osaka Securities Exchange (OSE), the OSE stock average staged its first rally in five trading days, jumping a record 1,129.40 points to 24,243.92. Volume increased 24m shares to 62m shares.

Nintendo surged a maximum Y1,000 to Y9,300 and Osaka Soda a maximum Y300 to Y2,190, while Ono Pharmaceutical gained Y600 to Y6,870.

HONG KONG remained closed after trading was suspended on Tuesday to give brokers time to settle a backlog of transactions. The stock exchange board meets today to monitor the market, but the exchange is still expected to reopen on Monday, an official said.

SINGAPORE was closed for a religious holiday.

Signals from Tokyo traders

SEOUL: Stocks ended mixed after the previous day's plunge as investor confidence recovered along with other world markets.

BANGKOK: Selling pressure forced prices lower again for the third consecutive session despite an initial higher trend.

TAIPEI: Despite a partial recovery late in the day, issues ended lower and 104 out of the 136 listed shares recorded a maximum 5 per cent daily loss.

AUSTRALIA

CONTRARY to the trend in Japan and New Zealand, Australian stock markets yesterday failed to sustain an early effort to claw back some of the heavy losses suffered in Tuesday's prices crash, *writes Chris Sherwell in Sydney.*

At the close of trading, the All-Ordinaries index, covering 325 stocks in all sectors, gained just 19.7 to finish at 1,568.9 on a large volume of 190m shares.

In the first 45 minutes of trading the index put on more than 65 points in relatively thin trading. But those gains were almost halved by midday and the slide worsened after the break.

Weaker bullion prices meant gold stocks continued Tuesday's falls. The gold index dipped another 207.2 points to finish at 2,422.2, having plunged more than 1,030 the previous day.

As early demand for shares fell away and selling pressures re-emerged, most blue chip stocks finished above the previous day's close but off the day's highs.

One of the most heavily traded shares by both value and volume was Western Mining, which finished 30 cents lower at A$5.20. CRA, another resource-based stock, was off 40 cents at A$6.60.

BHP, Australia's biggest company, was also heavily traded but finished steady at A$8.10. Gains of 10 to 30 cents were shown by MIM, Boral, Elders IXL and Westpac, while News Corporation finished at A$13.50, up 50 cents.

On the futures market, the December contract ended at 1,455, below the high of 1,500 but well clear of Tuesday's close of 1,320.

The trend in the money markets was also significant. On Tuesday short-term interest rates rose sharply, despite moves by the Reserve Bank to ease tight cash conditions.

Yesterday rates eased back, although the average bid at the weekly tender of A$500m of 13-week Treasury notes was 11.92 per cent, significantly higher than last week's level of 11.215 per cent.

Gain of 142 points leaves London disappointed

THE MOOD in London yesterday morning was one of quiet exhilaration as traders hurried into their offices to begin trading one hour earlier than usual, *writes Terry Byland in London.*

Prices immediately surged ahead as UK equities followed the powerful recoveries in the New York and Tokyo markets.

By 7.30am, half an hour after market makers were allowed to sign on to the exchange's electronic trading network, substantial gains in the blue chip issues implied an estimated gain of about 200 points on the FT-SE 100 share index.

Market makers, seeing the first signs of a recovery from the dramatic setback which has taken about one fifth off UK equity values in two days, looked forward confidently to the appearance of brokers bearing buying orders.

But it soon became clear that UK investors were taking a cool view of the moves by the US and West German authorities to restore confidence in world markets. The early gains, which largely reflected trades between market makers, were trimmed when retail investors refused to support them. The market failed to hold on to its early strength and the final reading on the FT-SE 100 showed a rise of 142.2 at 1,943.8.

The stock market saw a good two-way trade for most of the day, but whenever prices moved higher sellers soon appeared. To add to the mood of disappointment, the market's electronic reporting system malfunctioned at mid-session, leaving traders gazing at empty trading screens for several hours.

"Well, at least it's less painful this way," said one trader.

UK market firms remain very cautious over the outlook for world markets. "They (the US authorities) have got to do something about the US trade deficit, and they have got to do it within the next few weeks. Otherwise, the markets will go down again", said Mr Roger Charlesworth of Chase Manhattan's London trading office.

British private investors staged a buying foray after lunch, watched with some surprise by the professional traders. The flow of small buying orders for British Gas and the other privatisation stocks was somewhat unwelcome and brokers found difficulty in transacting them.

"I've got 500 orders to carry out, and it is taking me an average of 15 minutes to do each one", said one broker who was trying to deal on the near moribund Stock Exchange trading floor, which is aimed for oblivion some time next year.

It seems that the market makers and the big firms judged the market right. For London, brushing off an early gain of 170 points on Wall Street, saw some selling at the end of the day.

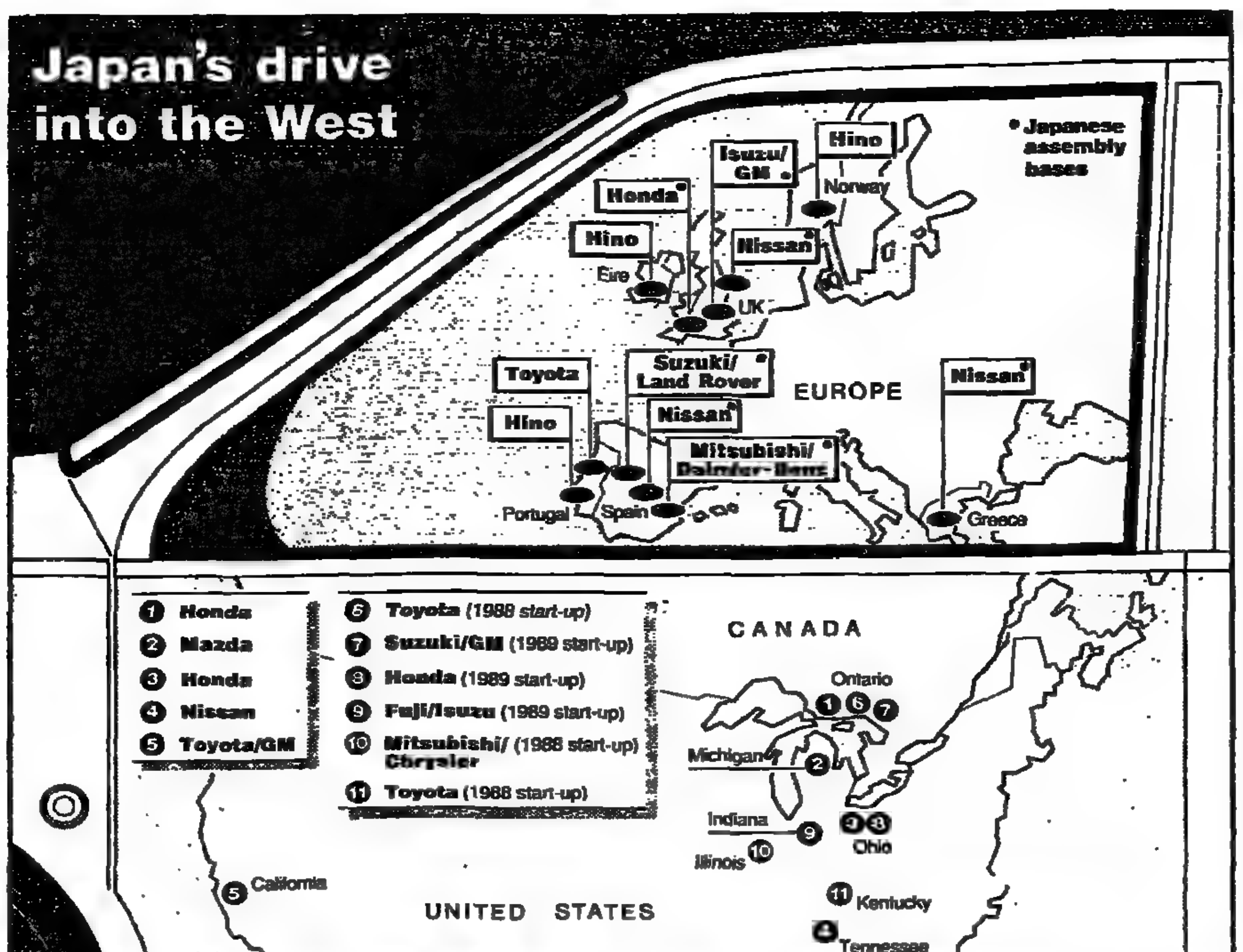
BP (British Petroleum) shares climbed painfully up to the price of 365p (583 cents) at which the public stock issue was effectively underwritten last week. They slipped back below the issue price later, despite strong demand from small investors.

It is a sign of the changed times in the UK stock market that a gain of 142 in the major market index should leave the City mildly disappointed.

SECTION III

FINANCIAL TIMES SURVEY

The industry's global market, with the the US as its focus, creates vital factors affecting the fortunes of European manufacturers. Japan's development of factory production abroad is affecting this balance further. **Kenneth Gooding**, Motor Industry Correspondent, reports



The Motor Industry

CONTENTS

Key held by US market

TO BORROW FROM one of Winston Churchill's wartime speeches; hardly ever in the history of the motor industry has so much depended on so few. The "few", in this case, are the top management at General Motors, the world's largest automotive group.

GM has been floundering badly in the US, the one market in the world where the car makers have been able to make a profit in the 1980s. Its car sales in the first half of this year dropped by 541,000 units and it gave up 6 points of market share.

The global nature of the industry today means that GM's future health - whether the decline continues or whether the group moves strongly back to dominate the US market - will affect every single other car manufacturer and every major market in the world since they can gain or lose market share.

This issue will increasingly overshadow other key changes taking place to the industry, changes brought about by the continuing restructuring process and the gradual spread of strategic alliances between the major groups.

Take, for example, GM's recent unwillingness to accept continuing losses in Western Europe because of the erosion in its profitable North American base where it puts the Buick, Cadillac, Chevrolet, Oldsmobile and Pontiac badges on its cars. This already has had a profound impact on the European motor industry.

Throughout the early 1980s, GM was locked in battle in Europe with its arch-rival Ford, the world's second-largest automotive company. European companies could not ignore the price warfare which ensued. They had to fight back, using similar aggressive marketing tactics to maintain a viable level of sales.

The warfare died away last year. GM's European market share, which increased from about 8 per cent in 1980 to 11.5 per cent six years later, has dropped back by half a point this year. But Mr Robert Stemple, the company's president, says GM will be profitable in Europe this year after chalking up losses totalling about $1bn since 1984.

It is no coincidence that 1986, when GM stopped chasing volume and concentrated more on profit, was the first year in a decade that the European volume car companies made a combined net profit of about $1.2bn.

Of course, the Europeans' efforts to improve efficiency by rationalisation against the background of expanding and record European car demand, helped - and continues to do so this year.

The Japanese producers also have a great deal riding on GM's future recovery or decline.

They have come to the end of an era where they were able to earn vast profits by exporting more than 1m cars a year to the US and at the same time take advantage of a greatly-undervalued Japanese currency.

Not only is the Yen now more fairly valued compared with the dollar, but the Japanese face a time of falling exports. Production from their factories "transplanted" to the States will build up at a fast pace from now on.

In 1984 the Japanese (in fact Honda alone) assembled 130,000 cars in the US. The total will rise to 1.85m in 1990 and 2m the following year as a spate of factory "transplants" come into production.

The US will certainly not be able to absorb all this extra capacity in such a short time - car production in the States has been about 8m a year - but the severity of the problems of excess capacity will depend on GM. If GM's domestic market share continues to decline it will need to close down more assembly plants than currently planned and thus give up capacity to the Japanese transplants.

On the other hand, a GM recovery could lead to cuts in car production capacity in Japan. So far the Japanese industry has struggled through in the face of a steeply-appreciating currency and rapidly-declining profits without shutting plants.

To compensate for the currency problems and the fact that protectionism is stopping any increase in sales volume in many major markets, the Japanese have clearly signalled their intention to move up-market where profit margins are bigger. They have been setting up in the US separate distribution channels for their luxury cars: Acura by Honda, Infiniti by Nissan and Lexus by Toyota.

But if GM's Oldsmobile, Buick and Cadillac divisions recover lost ground there will be less room for the Japanese in the up-market car sector. There will also be adverse implications for the European producers which have staked out a large area of the sector for themselves in the States.

The excess capacity in the US created by the transplants will be only a temporary phenomenon. Old and inefficient plants will be purged from the system. But the painful social effects will undoubtedly cause problems - perhaps another intensification of protectionism in the States.

There is also the distinct possibility that the US will suffer the same sort of turmoil Europe endured during the early 1980s as the European industry attempted to deal with the effects of excess car production capacity.

Price-cutting, low margins and huge losses were commonplace during those years and the volume car producers in Europe as a group did not generate enough earnings to cover their investment in new products. This has left them in a weaker state than their Japanese and US competitors to face the decline in world car demand from the current record levels widely expected before long.

The important difference between the two regions is that, whereas six major producers each have roughly the same market share in Europe, GM still dominates in the States with nearly 38 per cent - Ford is way behind in second place with a 20 per cent share.

So disorderly marketing of the type witnessed in Europe is likely in the States only if GM has to fight to stop a further decline in its market share.

The uncertainties created by the combination of new Japanese transplanted capacity in the US and GM's struggle for health will affect the European industry in another way. The Japanese intend to export some of the cars produced by their North American factories but the volume of exports will depend to some extent on demand in the US.

Honda has already pointed the way ahead. It is committed to export 70,000 cars a year from the States by 1991, of which 50,000 will go to Japan and the rest to unspecified markets. There is little doubt that Europe will be the target for the surplus 20,000 that Honda has been deliberately conservative about when talking of the numbers involved.

Honda also says it aims to increase the US content of its cars from 60 per cent at present to 75 per cent. So the vehicles would be American, not Japanese, and easily avoid the protectionist measures which have held back the advance of Japanese car imports to many of Europe's main markets.

The Europeans are unlikely to put up obstacles to North American cars because the US is the most important export market for many of them, not only because of the volumes involved but also because of the high value of the vehicles exported.

The European makers have been struggling to reach some sort of consensus about how they can retain their existing protection against the Japanese as the European Community moves towards harmonisation in the early 1990s. The present measures differ enormously from one country to another: Italy imports only 2,500 Japanese cars a year but the Japanese can take about 11 per cent of the UK car market, and so on.

The European industry argues - but so far the Commission has not formally accepted the argument - that the Japanese manufacturers should be held in check by an agreement which limits the total Japanese penetration of Community markets - nearly 10 per cent last year - at about the present level until the Japanese open up their own market to more car imports.

Proof that the Japanese had dismantled some of the remaining non-tariff barriers, say the Europeans, would be for car imports to Japan to increase to 5 per cent of the market compared with just over 2 per cent last year.

The Europeans might have set the target too low if their purpose was to create a perpetual barrier against Japanese imports to Europe. Even a trickle of "captive" imports from the US transplanted factories to Japan would quickly push the import percentage above 5 per cent while enabling the Japanese producers to maintain their vice-like grip on car distribution in their domestic market.

Apart from the difficulty of judging GM's ability to recover, it is almost impossible to predict the future shape of the motor industry because it is in such a fluid state.

In the past year or so, for example, both Seat of Spain and and Alfa Romeo of Italy have moved from state ownership to the private sector - bought by Volkswagen and Fiat respectively.

But undoubtedly the most important change to the industry structure has been the formation of a new joint-venture company in Argentina and Brazil to take over the production operations of Ford and Volkswagen in those countries.

The joint venture enables both VW and Ford to stay in Latin America but limit their losses until the time in the distant future when Brazil, in particular, might at last fulfill its promise to become a major car market.

The prospect of two such well-matched companies as VW, in volume terms West Germany's largest automotive group, and Ford getting together for further joint ventures has caused considerable unease among their rivals.

The new strategic alliances have already brought together some strange bedfellows: Fuji and Isuzu in the US, Ford and Nissan in Australia, Daimler-Benz and Mitsubishi in Europe, for example.

They have been brought about by a new pragmatism which is permeating the motor industry. Mr Carl Hahn, Volkswagen's chairman, summed up the industry's approach when he said: "I believe that peripheral alliances - governed not by nationality, but combining capital and opportunity in rational ways and for strategic considerations - will serve all of us best.

"Strategic alliances - with varying partners depending on the problem to be solved, whether product or regional - are already a fact and a continuing necessity benefiting all world players (in the motor industry) and the consumer."

THE MERCEDES-BENZ T SERIES: 200T, 230TE, 300TE and 250TD.

Mercedes-Benz prove it once again. An estate doesn't have to be ugly and boring.

You may choose a Mercedes-Benz estate for practical reasons but you'll soon come to think of it as an inspired choice. No other estate car is so admired. Then again, no other estate car is engineered like a Mercedes-Benz.

The T-series didn't start life as a saloon car stretched to accommodate extra loads. It started life as an estate car, purpose designed. And functional though it is, it's one of the most elegant cars in production today.

Clean-cut, sleek looks add significantly to its slipperiness, evidenced by a drag coefficient of just 0.34. An impressive figure when you consider the priority Mercedes-Benz put on the practical nature of an estate car. Other innovative technical achievements are equally significant.

Under the bonnet of the 300TE lies a powerful engine featuring microprocessor controlled ignition and electro/mechanical fuel injection. The single overhead cam, straight six delivers 188 bhp from its 3 litres and the four-speed automatic box has both sport and economy settings.

The performance, as a result of all this meticulous technical nurturing, is remarkable. Without any undue stress, to either engine or driver, the 300TE can gracefully exceed 130 mph. Should you wish to pass 60 mph in the shortest possible time it will take less than 9 seconds (manufacturer's figures).

The much sought after 200T and 230TE share the same aerodynamic good looks but have very efficient 2 litre and 2.3 litre, four cylinder engines, respectively. The 250TD has an even more economical 2.5 litre, five cylinder, diesel engine. To prove the point, official figures for the 250TD, 5-speed manual are 29.7 mpg in the simulated urban cycle, 48.7 mpg at a constant 56 mph and 36.2 mpg at a constant 75 mph. Yet the diesel is capable of over 100 mph (manufacturer's figure).

As you'd expect from a Mercedes-Benz the roadholding is very sure-footed. On all T-series the multi-link rear suspension system incorporates a self-levelling device, so irrespective of the load carried and the road surface, they retain their composure.

The wide-opening tailgate glides up and down on two gas-filled struts. It even has its own electric motor to pull it firmly shut. The exceptional load space has a flat floor, is clear of any obstructions and can be progressively enlarged to accommodate bigger loads.

Not only is there plenty of room for unusually long and awkward shapes but plenty of ways to fit them in. The rear seat can be divided and the front passenger seat folds back to give five different load space combinations.

Besides loads of room there are loads of seats. An optional, rear-facing, retractable row of seats suitable for two children, increases to seven the number of people a T-series can carry in comfort.

"Performance Car," who recently tested a 300TE against its two main competitors, called it "Superbly engineered and executed with a degree of attention to detail that neither of the others can match."

All this adds up to the T-series being not just a practical car but a desirable object, to boot.

Engineered like no other car in the world.

BJA 165 FT

Vital decisions being taken elsewhere will affect events in the UK, says **Kenneth Gooding**

International strains dampen optimism

OPTIMISM ABOUNDS in the UK motor industry today. Car sales are almost certain to reach record levels for the second successive year.

Price-cutting has abated. Profitability is improving or losses being reduced. Car production is rising strongly and the UK motor industry balance-of-payments deficit has stopped getting worse - the first time this has happened since 1981.

Examine the elements more closely, however, and the picture as not as rosy as it might seem at first sight.

In particular, many of the vital decisions which will have a profound influence on the UK industry in the future will be taken increasingly outside Britain - in the headquarters of Ford and General Motors in the US and Nissan and Honda in Japan.

But there is no denying the feeling of buoyancy widespread in the industry. That springs mainly from the way in which demand has defied gravity. New car registrations reached a record 1.88m last year and under normal circumstances should have fallen back slightly in 1987.

Instead registrations are likely to reach new peaks, perhaps 1.95m, according to forecasts by both the Economist Intelligence Unit and the Society of Motor Manufacturers and Traders.

Sales have been stimulated by the re-election of Mrs Thatcher's government, relatively low interest rates and the strongly rising incomes of those in work.

The record sales have also been accompanied by a drop in the importers' share of the market for the first time since the 1950s.

Last year imports accounted for 56 per cent of total registrations compared with 58 per cent in 1985. By the end of September, the importers' share had fallen to 51.6 per cent this year against 56.6 per cent in the first nine months of 1986.

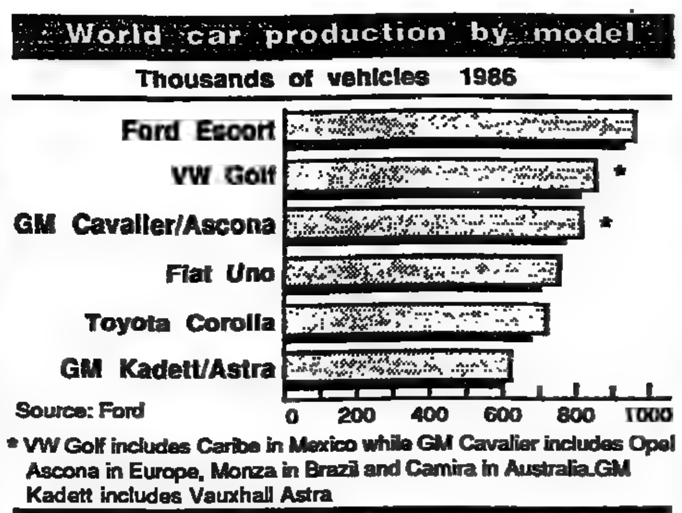
The improvement has been due almost entirely to the fact that the two major importers, General Motors (the Vauxhall-Opel group) and Ford, have been pushing hard to provide *more of the cars they sell in the* UK from their British factories rather than import them from the Continent.

Both companies have been under pressure for some time from the UK Government to make this switch and for the past 18 months it has made economic good sense as well. The steep rise in the value of the West German D-mark against the pound - about 25 per cent in 1986 - has made imports from the Ford and GM car plants in Germany and their satellites in Belgium very expensive.

Consequently, Ford expects to produce 72 per cent of the cars it will sell in the UK this year in Britain compared with 64 per cent last year and only 56 per cent in 1985. GM-Vauxhall increased the UK content of total sales from 44.4 per cent to 56.2 per cent and hopes to push that to more than 60 per cent this year.

Mr John Bagshaw, Vauxhall's chairman, says that every pfennig the D-mark rises against the pound costs his company £1m in lost revenue and the currency problem is mainly responsible for Vauxhall's massive £61.7m loss for 1986.

This year Vauxhall has concentrated on cutting losses rather than holding on to market share - one of the factors which have helped reduce the price-cutting and other extraordinary measures which featured prominently in the UK car market until well into 1986.



While this has contributed greatly to the improved financial health of the UK industry, it also means that customers are paying much more for their cars this year than in 1986. Prices have been going up much faster than the rate of inflation, particularly for German and Japanese cars - the Japanese have also had to cope with a strong increase in the value of their currency against the pound.

The major increases in the cost of German and Japanese car imports - between them those two countries account for about 20 per cent of total UK car sales - will put further strain on Britain's trade balance.

Last year, as the D-mark and yen rose rapidly in value and before the UK exporters began to take some advantage of the fall in the pound, the trade deficit in motor industry products worsened by more than £1bn or 41 per cent compared with 1985, to reach a record £3.9bn.

Cars alone accounted or £2.88bn of the overall deficit.

There was slightly better news in the first quarter this year when the deficit fell from £979m to £869m but the Society of Motor Manufacturers and Traders, which compiles the statistics from Customs and Excise figures, says it is too early to judge if the steady decline in the automotive trade balance since 1981 has levelled off or been reversed.

What can be said with certainty, however, is that the decline in car production in the UK, which took output down from 1.9m in 1972 to under 888,000 in 1982, has been emphatically reversed.

Production exceeded 1m last year and so far in 1987 has been running at the rate of 1.2m. Mr Sam Toy, former Ford of Britain chairman and immediate past president of the Society of Motor Manufacturers and Traders, reckons an annual output of 1.5m cars is "on the horizon."

He would also expect that total to include 300,000 cars for export compared with 201,400 last year.

Mr Toy bases his forecast on the tentative plans which most UK-based companies have recently outlined. Ford, for example, which assembled 380,000 cars in Britain last year, expects to reach 450,000 in 1988-89 and it would then resolve production bottlenecks to provide room for 100,000 more.

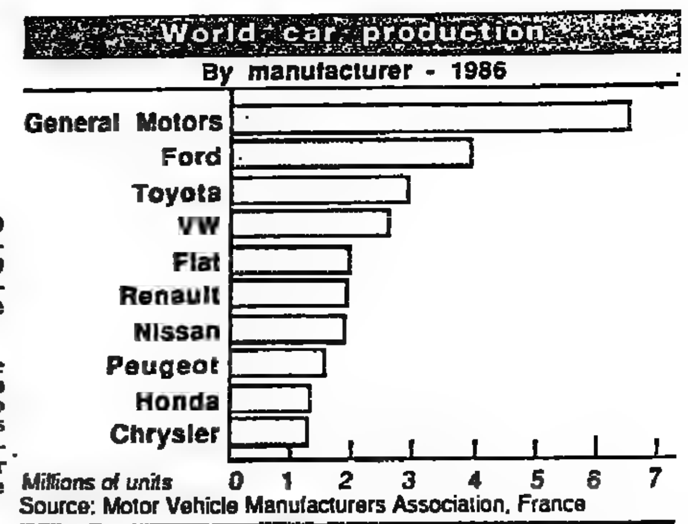
Vauxhall's aim is to increase UK assembly from 220,000 to 300,000. Nissan, a newcomer to car production in Britain, is gradually building up production to reach 100,000 cars a year by 1991 at its Washington, Tyne and Wear, factory.

On a smaller scale, Jaguar would be very disappointed if its annual production, spurred by the introduction of the new XJ6 saloon, does not climb from 41,500 in 1986 to 65,000 by 1990.

There could also be spectacular growth from some small companies such as Lotus, Aston Martin Lagonda and Panther who all want to increase output from a few hundred cars annually to a few thousand.

If the potential is added up, an extra 378,000 cars a year will be produced by the early 1990s on top of the 1.018m which rolled off UK assembly lines in 1986.

However, some important assumptions were built into those forecasts: Ford's was made on the assumption that the company keeps its 28 per cent market share and can export at least 50,000 cars a year; Vauxhall's depends on the success of its programme to reduce costs by 25 per cent over the next three years and there being no significant shift in the D-mark/pound relationship, and so on.



The main question mark over UK production is provided by Austin Rover, which makes more cars in Britain than any other company. Last year Austin Rover produced 410,000 cars and hopes to do a little better this year with the help of an improved export performance.

Output will be underpinned increasingly in future by the contract Austin Rover has with Honda to build cars for the Japanese group's dealers in Western Europe.

But Austin Rover's new chairman, Mr Graham Day, is not foolish enough to make forecasts about things as fundamental as production when his company's performance in its home market can so easily be affected by political debate about its future.

That debate is likely to flare again in the middle of 1988 when Mr Day presents his proposals for returning the parent Rover group - which also includes the Land Rover company - to the private sector.

Mr Day is well aware that in his hands he has the fate of the last substantial UK-owned car maker. The future of the UK motor industry as well as that of Rover rests on his deliberations and the British Government's subsequent actions.

France

Sales boost recovery by big groups

THE FRENCH car industry has rebounded into good health again during the last 12 months. New car sales have been buoyed by tax cuts and strong consumer demand. The industry now estimates that new registrations for the year will exceed the 2m mark.

The country's two major car producers, the private Peugeot-Citroen group and state-owned Renault, have also staged strong recoveries. Peugeot, after years of heavy losses and restructuring, reported higher than expected profits of FFr3.6bn last year and is expected by several financial analysts to see profits surge to about FFr6bn this year.

Renault, which has accumulated FFr27bn of losses during the last three years, is also now operating again in the black and is expected to report net income of FFr1bn or more this year, although the company continues to be burdened by a huge debt totalling more than FFr50m.

The recovery of the country's two big car groups reflects their intense and radical efforts to restructure operations around their core European car businesses. The restructurings have involved extensive lay-offs and asset shedding as well as industrial rationalisations.

Renault, for example, finally decided this year to abandon its costly and disappointing American investment by selling its controlling stake in AMC to Chrysler.

But the recovery has also been spearheaded by a range of successful models which have sustained demand both on the domestic market and abroad. The Peugeot group continues to reap the fruits of the success of the Peugeot 205 supermini models and the Citroen BX. But the extensions of its Peugeot and Citroen ranges with the new Peugeot 405 and the small Citroen AX have also helped sustain sales.

At Renault, the R-21 has proved a success in the medium-sized car range while the R-25 at the top end of the range and the Super 5 at the lower end have continued to contribute to the state group's recovery.

Moreover, the domestic market was recently given a major boost following the French government's decision to reduce Value Added Tax on cars and motorcycles from one of the highest levels in the European Community of 33.3 per cent to 28 per cent. The welcomed VAT cut led to a 4 per cent decline in domestic car prices.

With the recent VAT tax cut, the French car market is now expected to exceed 2m new registrations this year from 1.9m last year and 1.77m the year before. Indeed, the French car industry expects the VAT cut to boost sales by up to 10 per cent over earlier estimates, or about 60,000 additional cars.

The French car industry had campaigned for years against the high VAT rate, claiming that it badly handicapped domestic sales. The move has also been seen as a first step towards aligning France's VAT on cars with the rate in other European countries in preparation for the advent of the European unified market in 1992.

But perhaps the most dramatic sign of change in the French car industry has been the Government's decision to end Renault's privileged status as a national *regie*. This has protected the company up to now from bankruptcy since a *regie* is a state-owned corporation which is not subject to the ordinary constraints of company law. In practice, it has enabled Renault to count on a blank cheque from the state to cover its past losses and accumulated debts.

With Renault's return to profit, the Government decided that the time had come to turn Renault into an ordinary company, although still under state control since Renault at present is not included in the Government's ambitious privatisation programme. But before changing Renault's status, the Government must first take the controversial decision to restore the state car group's balance sheet currently showing Ffr9bn negative net worth.

This will involve a major recapitalisation of the state group with an injection of state funds totalling about FFr10bn on top *of the FFr10.9bn the company* has received from the Government in capital endowment grants since 1983. The proposed Renault balance sheet restructuring has caused increasing concern at Peugeot, the state car group's private rival, which fears that the Government's plans could distort competition in the domestic car market.

Mr Jacques Calvet, chairman of Peugeot and main architect of the private group's recovery, has gone so far as to warn that he would consider resigning if he believed that the Renault financial restructuring would severly undermine competition and his group.

What worries Peugeot is not only the large injection of French capital but the fact that Renault would also benefit from huge loss carry-back advantages worth about FFr27bn on Renault's future profits once the state group is converted into an ordinary state enterprise.

Peugeot's strong opposition to the Renault plan has presented the Government with a big dilemma. Should Mr Calvet carry out his threat to resign, it would not only provoke considerable embarrassment for the Government but also pose a new industrial headache for the Right-wing administration in an election year.

The Government is therefore attempting to devise a solution which would resolve Renault's balance sheet problems and enable the state group to change its status as a national *regie* in the coming months at the same time as appeasing Mr Calvet's and Peugeot's worries.

The manner in which it handles this sensitive and highly-controversial issue constitutes one of the biggest industrial policy challenges to date for the Chirac government. The outcome is bound to have far-extensive repercussions for the France's car industry as a whole.

Paul Betts

U.S. Car Production & Market Share

	GM m of Units (market share)	Ford	Chrysler	AMC	VWA	Honda	Nissan	Toyota	Total
1980	4.1 (63.79)	1.3 (20.51)	638,974 (10.02)	164,728 (2.59)	197,106 (3.09)	—	—	—	6.4 (100.0)
1981	3.9 (62.46)	1.3 (21.12)	749,648 (11.99)	109,319 (1.75)	167,755 (2.68)	—	—	—	6.3 (100.0)
1982	3.2 (62.55)	1.1 (21.76)	600,502 (11.84)	109,746 (2.16)	84,246 (1.66)	1,500 (0.03)	—	—	5.1 (100.0)
1983	4.0 (58.64)	1.5 (22.78)	900,553 (13.33)	201,993 (2.98)	98,207 (1.45)	55,337 (0.82)	—	—	6.8 (100.0)
1984	4.3 (55.89)	1.8 (22.84)	1,247,825 (16.06)	192,196 (2.47)	74,765 (0.96)	138,572 (1.78)	—	—	7.8 (100.0)
1985	4.9 (59.70)	1.6 (19.99)	1,266,067 (15.46)	111,138 (1.36)	96,459 (1.18)	145,337 (1.78)	43,810 (0.53)	—	8.2 (100.0)
1986	4.3 (55.13)	1.7 (22.53)	1,297,661 (16.58)	49,435 (0.63)	84,397 (1.08)	238,159 (3.04)	65,147 (0.83)	14,246 (0.18)	7.8 (100.0)
1st 8 mos. 1987	2.4 (51.17)	1.2 (25.60)	728,641 (15.25)	—	43,548 (0.91)	218,518 (4.57)	91,157 (1.91)	28,327 (0.59)	4.8 (100.0)

Research: Rivka Nachoma

The US

Pressure from Japan

TWO FATEFUL questions confront the US motor industry as it enters the 1988 model year, which began on October 1:

How long can the US consumer continue to buy cars at the near-record rates which have been sustained for more than three years? How will the room be found, in a market where demand is likely to remain at best stable, for the millions of "immigrant" cars which will soon be pouring out of new Japanese-owned factories sited in the US?

Needless to say, the questions are closely interconnected, and neither of them seems to have a reassuring answer from the US industry's point of view.

This is why all three of the US motor manufacturers - General Motors, Ford and Chrysler - continue to suffer from lacklustre stockmarket ratings in the midst of the biggest bull market on Wall Street since the Second World War; why Ford has clinched a very moderate pay deal with the United Auto Workers despite reporting profits unequalled the history of US industry; and why it is far too early to cheer the falling dollar as if it were the US cavalry, arriving in the nick of time to rescue America's most important manufacturing industry from the ruthless encirclement of the Japanese.

Consider first the straightforward numbers. In the 1987 model year - that is the 12 months to September 1987 - total car and truck sales in the US market amounted to 15.4m units: 10.5m cars and 4.9m trucks, including the fast-growing category of passenger vans and sports-utility vehicles.

The market's total sales were only four per cent down on the record 16m sales achieved for 1986 models and almost identical to the previous record of 15.6m of the year before. In other words, the US car market has remained remarkably buoyant despite the marked slowdown in economic growth since the 1985 models started selling three years ago.

A major reason for the continuing strength of sales has been the unprecedented use of financial incentives to lure customers into the showrooms.

In 1986, when GM dragged the whole industry into the first binge of cut-rate financing, the gimmick of 2 per cent or even zero interest rates, was thought of as a short-term expedient to clear the dealers' lots in a hurry in preparation for a new year's models. The record sales in 1986 were achieved largely because the original incentives had the desired effect.

In the past year, however, financing incentives and rebates have turned into a permanent and endemic feature of the US car market.

Yet the evidence from GM and Chrysler's quarterly profit statements suggests that these companies, at least, have not managed to build the cost of incentives into their retail price calculations and profit margins. In other words, the past year's level of sales may prove difficult to maintain in future if the car manufacturers want to generate the kind of profits their shareholders expect.

The sales figures for calendar 1987 tell the story. In the first nine months of the year, as the effectiveness of the incentives steadily wore off, car and truck sales were down eight per cent to an annual rate of 15.2m units. In September alone, despite incentives about as generous as those a year earlier, demand was down no less than 25 per cent.

Despite this abrupt recent drop - and the continuing rise in market interest rates - forecasters in the big three car companies still expect to see total sales in calendar 1988 of 15m to 15.2m units. But if those targets are to be hit, it may be at the cost of considerably lower profitability than the industry achieved in 1986 and 1987.

However, profits are threatened not only by the reluctance of consumers to go on buying cars; there is a far more insidious and long-term problem. Within the next three years some 2m additional cars annually will be pouring out of a dozen Japanese-owned assembly lines in the US and Canada. This compares with the 3.2m cars currently imported into the US and the 7.3m produced domestically, including about 500,000 now built by Honda, Toyota, Nissan and Volkswagen in the US.

If most of those 2m new cars, amounting to nearly 20 per cent of the likely market, were to eat into the present 70 per cent market share of three US-based manufacturers, the future will be bleak indeed for the American industry.

The question, therefore, in the motor industry's colourful vernacular, is whether the "immigrants" and "transplants" will simply end up "cannibalising" the imports now coming in from Japan.

Some analysts see encouraging signs in the big price increases posted by the Japanese importers to compensate themselves for the falling dollar. Detroit has taken considerable comfort from the possibility that largely as a result of higher prices, the Japanese will fail to meet their voluntary export quota of 2.3m cars in the year to April 1988.

What the optimists seem to ignore, however, is that the decline in Japanese import sales so far has been more a reflection of the weakening of the whole car market than of the importers' competitive problems. On the whole, the Japanese losses have been smaller than those of the domestic manufacturers.

Thus, while it is true that Toyota, Honda and Nissan between them lost 12 per cent of their imports in the first nine months of this year, the US industry's enthusiasts should not forget that GM, Ford and Chrysler suffered an 18 per cent drop in their domestically-built car sales.

The big gainers who captured these sales were not just the transplant factories of the big three Japanese manufacturers. Just as important were the lesser Japanese the importers, such as Mitsubishi and Isuzu, and, most of all, the phenomenally-successful Korean Hyundai, which doubled its sales to 205,000 cars in the first nine months of 1987. With the dollar now apparently stabilising - the yen today is no higher than it was 12 months ago - and the Japanese motor industry recovering its composure after the currency shock of 1985-86, it would seem rash for the US manufacturers to bank on one kind of Japanese product "cannibalising" another.

The biggest battles between the Japanese and American motor industries may be yet to come - and most of the skirmishes so far point to further US retreats.

Anatole Kaletsky

Strength of demand has surprised West German makers, says **Andrew Fisher**

Unexpected surge in registrations

AFTER LAST YEAR'S surge in sales of new cars, most executives in West Germany's car industry were prepared to settle for a more subdued home market in 1987.

Instead, they have been taken aback by the strength of demand. New registrations in Germany have kept rising this year, with a near 3 per cent gain in the first eight months to 1.95m cars. This rate is far short of the 19 per cent advance to 2.8m in the whole of 1986, but then that was an unusual year with a scramble in the last few months to qualify for tax breaks on models with catalytic converters.

"The wheel of private consumption is still spinning," says a gratified Mr Horst Herke, chairman of Opel, the German subsidiary of General Motors of the US. "As long as inflation does not take its toll, I think it will keep spinning and not come to a dramatic halt."

Inflation is creeping up again, but remains negligible, certainly by the standards of most other countries. And private consumption, spurred by last year's tax cuts and the favourable impact on the cost of living of low oil prices and reduced import prices through the high D-mark, is a main prop of the economy.

Still, the boom has to end some time. Most forecasters expect the European market to tail off next year, though demand is likely to remain fairly buoyant. Marketing Systems, an Essen-based consultancy firm, reckons that German registrations will slip by some 3 per cent in 1988 to 2.75m units, with a drop in the total EEC market of 2 per cent from 11.03m to 10.6m.

"The market now is stronger than expected," says Mr Carl Hahn, chairman of Volkswagen, about the European scene. While a slowdown might be expected after several years of improving sales, "there is no indication that this will be the case."

While ready to concede that the good times will not last for ever, he is not prepared to predict that the market will become worse next year, pointing out that people seem to turn in their old cars earlier these days as new and attractive, high-technology models come on to the market.

If September's Frankfurt Motor Show is any guide, Germans are more fascinated by cars than ever. More than 1m visitors poured into the exhibition, with the city's clogged streets ironically demonstrating the consequences of the cult of the automobile. There are 28m cars in Germany, 20 per cent more than in 1980.

While the domestic market is important for German carmakers, the export market is crucial. Some 60 per cent of their output is sold abroad, the leading markets being the US, Britain, France and Italy. Despite the strength of the D-mark, foreign sales have held up reasonably well. Last year, they were down by 2 per cent to 2.5m cars, though the value was up by a real (price rise-adjusted) 1.3 per cent to DM 56bn ($32bn). At the eight-month stage this year, they were 4 per cent lower at 1.63m units.

The strength of the German industry lies in its ability to produce cars which are not only attractive and reliable, but also offer the latest in technology. For the up-market companies like Daimler-Benz, BMW and Porsche, this is an obvious part of their models' foreign appeal. It enables them to enhance their product mix by concentrating on their more expensive and better-equipped cars to try to offset currency disadvantages.

All three companies have raised their prices by about 30 per cent in the US since 1985, says Mr Stephen Reitman, European Motor Industry analyst with the UK stockbrokers Phillips and Drew. This compares with less than 20 per cent for the Japanese. In a weak North American market, the luxury sector has suffered far less than overall sales.

For Germany's volume producers, all making sizeable profits, the impact of the strong D-mark in hampering exports and promoting imports is far more serious. "As far as we know," says Mr Daniel Goeudevert, chairman of Ford-Werke, part of Ford Motor of the US, "the D-mark is not going to weaken against foreign currencies, including the dollar, for the next few years. So this will not especially help exports."

Also, "there is the threat of Japanese imports into the German market." The sharp rise in the yen against the US currency has made Japan turn its eyes more closely to Europe, where it already has about 15 per cent of the German market, or nearly half of all imports.

"Japanese manufacturers are interested in exporting to Germany, with no import restrictions and no exchange rate problems of the magnitude that they have with the dollar," Mr Goeudevert says.

Like its rivals at the volume end of the market, Opel and VW, Ford has put more emphasis on higher-priced models to improve profitability while also bringing in cheaper, so-called "entry level", cars from Spain, where costs are lower.

In Ford's case, the cheap car is the Fiesta. VW makes Polos in Spain, where it recently bought SEAT, which also has its own small models. Opel brings in the nippy Corsa, made by GM Espana.

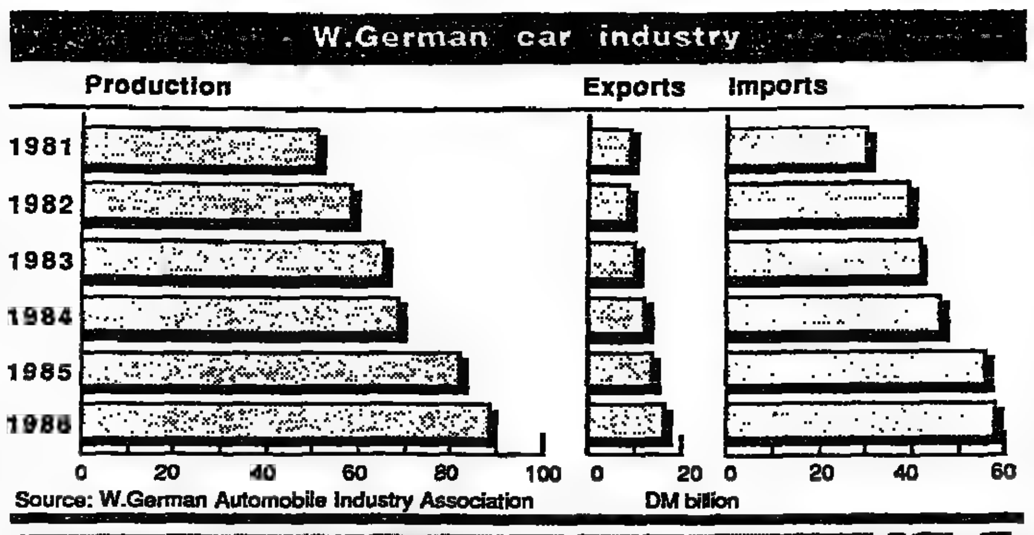
These cars are important to the German companies, which want to attract and keep buyers in the small to the more costly end of the market. But the need to have them made in Spain is an indication that German labour costs are posing a severe problem. After the latest rise in the D-mark, they are the highest in the world.

Hence the constant efforts to keep costs in check. After the steady rise in employment, with the industry last year adding 30,000 jobs for a total of 731,000, companies are now moving in the other direction.

VW, employing more than 132,000 in Germany, aims to shed at least 5,000 workers over the next year. Opel hopes for a further cut of more than 2,000 out of its 55,000-strong workforce.

All German companies are investing heavily, both in new models and to improve efficiency. BMW opened a gleaming new DM 1bn plant in Bavaria this summer. Innovation is the life-blood of the German motor industry, beset not only by competition from the Japanese but also from lower-cost and increasingly productive European neighbours.

Fortunately, says Mr Achim Diekmann, general manager of the German motor industry association (VDA), "the up-scale part of the market has shown the greatest growth so far." Models like VW's Golf, which can be bought with a whole range of options, or the Mercedes 190, the most financially-accessible of the Daimler range, have proved highly popular at home and abroad. "My impression is that the potential in the particular bracket that the German industry specialises in is growing," Mr Diekmann says.



Source: W.German Automobile Industry Association

BMW 7-Series: Germany's upmarket cars are selling well

Europe's best selling passenger cars 1986

	Model	Austria	Belgium	Denmark	Eire	Finland	France	Germany	Italy	N'lands	Norway	P'gal	Spain	Sweden	Switz	UK	Europe	% TIV
VW	Golf	26,237	22,615	5,917	1,692	3,439	44,626	371,382	98,086	25,781	8,242	122	4,150	10,660	20,569	35,773	679,290	5.89
VW	Jetta	8,428	7,949	1,044	1,730	2,262	11,662	47,694	9,871	8,019	1,717	25	123	4,947	2,631	6,774	114,876	1.00
Fiat	Uno	5,456	6,837	5,146	1,805	3,193	44,235	47,949	433,694	11,383	3,429	8,697	12,335	2,221	8,455	31,099	626,134	5.43
GM/Opel	Kadett	17,233	23,436	16,686	2,905	6,028	23,692	236,120	34,426	57,431	6,286	4,007	26,673	11,518	15,689	99,127	581,257	5.04
Ford	Escort	11,895	9,758	9,785	1,477	4,979	39,106	89,245	24,892	26,731	6,169	2,584	30,994	10,121	8,133	156,895	432,756	3.75
Ford	Orion	2,414	2,958	885	1,014	1,064	13,878	9,480	9,204	2,378	1,231	962	27,991	817	1,237	55,255	130,758	1.13
Peugeot	205	5,214	16,741	2,149	521	2,027	205,880	55,714	49,687	17,374	3,225	3,818	51,618	2,073	9,113	39,198	464,322	4.02
Renault	R5	4,125	11,987	827	712	20	226,142	7,880	91,468	10,053	1,199	19,492	44,178	3,363	5,833	28,570	455,849	3.95
Ford	Fiesta	2,507	8,148	2,987	3,829	1,273	42,952	76,491	30,409	6,541	2,054	2,286	25,609	3,201	2,593	143,712	354,582	3.07
Ford	Sierra	6,952	10,988	5,676	1,431	3,305	29,604	78,608	3,526	16,147	11,779	203	9,641	10,638	8,521	113,861	310,860	2.69
Renault	R9/R11	3,209	9,608	1	957	681	122,728	10,143	30,886	9,074	0	10,611	85,886	0	3,544	16,085	303,315	2.63
Opel	Ascona	8,021	6,993	6,459	1,773	4,136	15,273	82,034	4,879	11,842	5,173	358	5,763	5,207	9,133	113,475	280,519	2.43

Source: Automotive Industry Data

World Vehicle Production

		1985		
	Total	Passenger Cars	Commercial Vehicles	Total
1. General Motors—U.S.A.	9,077,049	7,090,664	1,986,385	8,070,647
2. Ford Motor—U.S.A.	5,450,526	3,813,031	1,637,495	5,348,906
3. Toyota—Japan	3,718,522	2,619,599	1,098,923	3,482,727
4. Nissan—Japan	2,808,085	2,005,020	803,065	2,727,568
5. Volkswagen—West Germany	2,385,349	2,126,996	258,353	2,135,346
6. Chrysler—U.S.A.	1,936,583	1,305,100	631,483	1,884,882
7. Renault—France	1,879,054	1,607,609	271,445	1,982,871
8. Peugeot-Citroen—France	1,818,816	1,545,762	273,054	1,747,740
9. Uaz—U.S.S.R.	1,660,000	785,000	875,000	1,653,000
10. Fiat—Italy	1,508,986	1,230,383	278,603	1,485,986
11. Honda—Japan	1,265,648	1,101,747	163,901	1,127,608
12. Mazda—Japan	1,193,692	815,074	378,618	1,133,321
13. Mitsubishi—Japan	1,152,777	570,865	581,912	1,095,156
14. Suzuki—Japan	781,901	236,198	545,703	689,871
15. Daimler-Benz—West Germany	741,136	537,909	203,229	667,116
16. Isuzu—Japan	587,015	213,052	373,963	432,257
17. Fuji—Japan	584,384	259,673	324,711	549,415
18. Daihatsu—Japan	578,937	161,559	417,378	566,076
19. B.L.—U.K.	577,060	465,104	111,956	470,565
20. Volvo—Sweden	456,959	407,095	49,863	436,978
21. B.M.W.—West Germany	431,085	431,085	—	412,447
22. American Motors—U.S.A.	357,512	121,235	236,277	391,408
23. Seat—Spain	320,015	304,753	15,262	278,855
24. Polski—Poland	259,245	259,245	—	260,012
25. Hyundai—South Korea	240,755	225,970	14,785	140,871
26. Skoda—Czechoslovakia	226,342	175,000	51,342	225,775
27. Moskvitch—U.S.S.R.	200,000	200,000	—	205,000
28. Zastava—Yugoslavia	166,618	156,661	9,957	183,602
29. Alfa Romeo—Italy	160,563	157,625	2,938	203,071
30. Z.A.Z. Zaporojetz—U.S.S.R.	150,000	150,000	—	150,000
31. Saab-Scania—Sweden	142,662	111,813	30,849	130,453
32. Trabant—East Germany	141,795	114,000	27,795	140,000
33. G.A.Z. Volga—U.S.S.R.	127,000	127,000	—	125,000
34. Jaefang—China	85,003	—	85,003	78,416
35. Kia—Korea	84,931	—	84,931	75,004
36. Navistar—U.S.A.	84,294	—	84,294	84,340
37. Wartburg—East Germany	84,000	62,000	22,000	80,000
38. Aeolus—China	83,431	—	83,431	70,173
39. Hino—Japan	69,063	—	69,063	60,844
40. Porsche—West Germany	54,458	54,458	—	44,017
Total 40 Manufacturers	43,631,253	31,548,286	12,082,967	41,027,324
Others	1,148,271	684,942	463,329	1,030,362
Total Production	44,779,524	32,233,228	12,546,296	42,057,686

SUMMARY OF WORLD PRODUCTION

North American Companies	16,905,964	12,330,030	4,575,934	15,780,183
Japanese Companies	12,740,024	7,982,787	4,757,237	11,864,843
Western European Companies	10,045,060	8,549,508	1,495,552	9,582,998
Eastern European Companies	2,798,593	1,811,448	987,145	2,802,290

Source: Compiled by the Motor Vehicle Manufacturers Association of the U.S., Inc. from reports of various overseas motor vehicle associations.

Japan's exports have been hit hard by the continuing strength of the yen

Battle turns to the home market

TOYOTA, Japan's largest carmaker, announced this month that it was sending 300 head office staff out on secondment to its dealers in Tokyo. It was a sign of how much importance Toyota - and its Japanese competitors - now attaches to the home market.

After years of expansion, Japanese vehicle exports have been hit hard by the continuing strength of the yen, forcing companies back into redoubling their efforts in Japan.

Fortunately, they have some support from the Government's efforts to stimulate the economy in the past year. Consumer spending is growing strongly. Passenger vehicle sales are likely to be 3 to 3.5 per cent higher in 1987 than last year. In the first eight months of the year, sales were 3.4 per cent up on 1986, at 3.92m vehicles including minicars

However, as they adjust to a decline in export sales, the leading companies are having to publish some embarrassing financial results. Toyota in September revealed a 22 per cent fall in consolidated net profits for the year to June, while Nissan's result for the year to March was 28 per cent down

Both these companies have huge resources but increased domestic competition could have serious effects on other manufacturers and their suppliers. Mr Geoffrey Wilkinson, Tokyo motor industry analyst at Salomon Brothers, the US investment broker, says: "In the long term there cannot be room in this country for nine car manufacturers."

The smallest of these, Isuzu, last year produced 555,000 passenger and commercial vehicles against Toyota's 3.66m

However, the outlook for the industry is not altogether gloomy. The Japanese market's fabled appetite for technical features continues to give the manufacturers opportunities to launch new or revamped models.

The latest marketing success is four-wheel-drive which is fitted to one in ten new cars in Japan, even though most of these vehicles will hardly ever leave a tarmac road. Computerised navigation equipment is one of the next innovations on manufacturers' lists.

Moreover, the Japanese market is continuing to polarise - with sales growing most strongly for luxury cars on the one hand and on the other for minivehicles with engine capacities of up to 550 cc.

This is opening up successive marketing opportunities to those companies which are able to respond fastest to often short-lived changes in demand, especially among young drivers.

Foreign companies, helped by pressure from their governments for Japan to open up its consumer markets, have seen unprecedented growth, particularly in sales of luxury cars.

Honda, the number three car maker, is the outstanding example of a group which has successfully attracted young buyers.

Of the two larger manufacturers, Nissan in particular has been under great pressure. Toyota may have a sales problem in Tokyo - a trend-setting market where Honda is particularly strong - but elsewhere in Japan it is as powerful as its 31 per cent market share suggests.

Nissan, by contrast, felt obliged earlier this year to beef up its sales network across the country - sending out not 300 staff as Toyota did but 4,000. Motor industry analysts say that the polarisation of the market has hit Nissan hard because its model range is strongest in the middle.

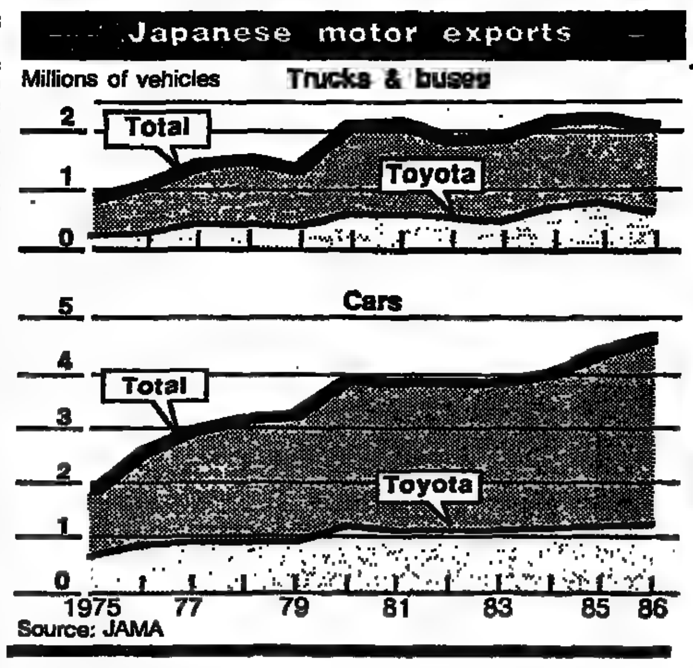
Acknowledging its weaknesses, Nissan has started a programme of rejuvenating its model ranges - this summer launching a new version of its luxury Cedric Gloria saloon.

Smaller manufacturers have benefited from the surge in the 1980s of sales of sub-550cc vehicles, which are often bought as second cars, sometimes by women drivers. Sales of these last year totalled 1.63m, 8 per cent more than in 1985.

But there are signs that minivehicle sales are growing more slowly this year. The difficulty for the manufacturers is to find new models without running into a hopelessly unequal contest with the larger makers.

There are no signs yet that any Japanese manufacturer could soon go out out of business. However, some of their suppliers have been under sufficient pressure to have started consolidating.

Traditionally, many component manufacturers have been exclusive suppliers of one or other of the major manufacturers. However, this year Nippon Denson, a company in Toyota's orbit, bought a stake in a Nissan supplier. Mr Wilkinson of Salomon Brothers believes other similar deals could follow.



Source: JAMA

Nissan says that more drastic measures - such as the closure of a big assembly plant - are out of the question in Japan. "Ford cut its workforce from 180,000 to 104,000. We could not do that here," the company says.

Nevertheless, if the industry is being squeezed when the domestic market is relatively buoyant what will happen if there is a downturn? Toyota recently calculated that a 10 per cent fall in national domestic production would mean the loss of 420,000 jobs in the industry.

It was the realisation of the limits of domestic growth that drove Japanese producers to export in the first place. Now that governments in the US and Western Europe have imposed quotas which have virtually halted growth in exports, overseas sales and profits growth are much harder to achieve.

Overseas production has been the most direct way around the barriers, proving increasingly attractive as the strength of the yen has pushed up relative production costs at home.

In this respect Honda has stolen a march on its rivals. The company is next year starting to build its second North American factory while Toyota is still waiting for the first to be completed. Nissan's plant in Smyrna, Tennessee reached full annual production of 240,000 vehicles only this year

Honda intends to build 510,000 vehicles a year in the US by 1991 and to export 70,000 of them. Of course, wholly-owned offshore production centres are not the only way in which Japanese manufacturers are internationalising their business. They are also cooperating with other manufacturers.

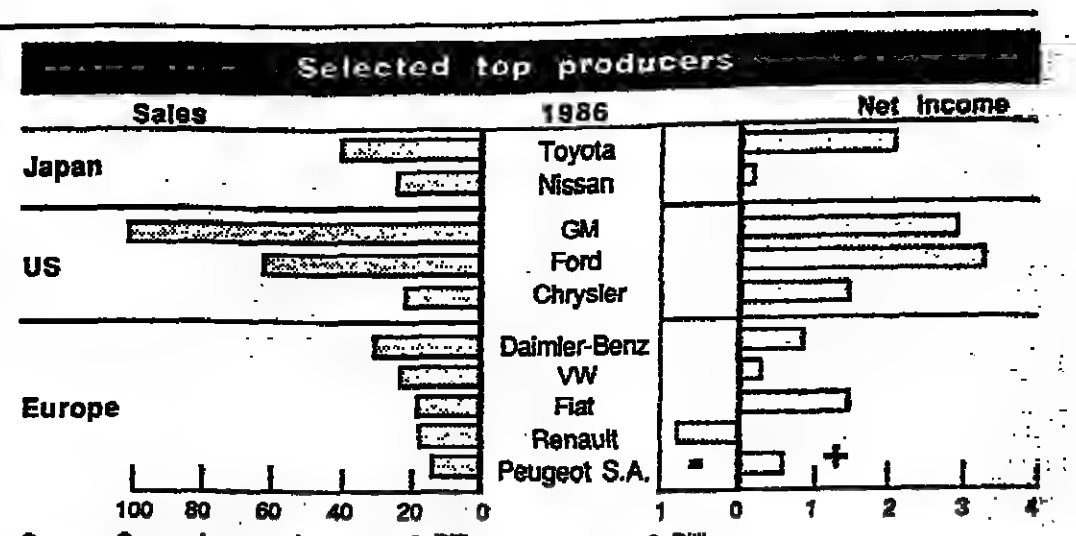
But there are limits to the degree of expansion which can be achieved in this way. In North America, for example, industry executives are concerned that the number of new plants currently under construction by Japanese markers could lead to over-capacity in the 1990s.

For this reason, Ford last month asked Nissan to cut the planned size of their North American joint venture from 200, 000 to 100,000 vehicles a year.

As a result, leading Japanese makers are looking seriously at diversification. Toyota has a successful house-building subsidiary and has invested in telecommunications, taking a stake in IDC, the telecommunications syndicate.

But the contribution of non-vehicle sales to the group as a whole remains negligible.

Stefan Wagstyl



Sources: Companies annual reports $ Billion $ Billion

Below: the Mazda RX7 - the company wants to move production to the US by 1990. The need of the Big Five Japanese companies to cope with the high yen has put pressure on them to source and assemble in an increasingly flexible way. Alliances with Western manufacturers have a similar object.

Japanese plants abroad

Global production on the way

AS JAPAN'S vehicle manufacturers run out of cost-cutting measures to fend off the high-riding yen, a major rationalisation of the country's far-flung production bases is looming.

With analysts forecasting that the yen could still climb, to less than 120 to the dollar, plans for a global integration of overseas facilities are being accelerated.

For Japan's Big Five producers this could result in a radical change in worldwide sourcing with small cars being built exclusively by affiliates in low-cost countries such as South Korea, Mexico and Taiwan.

Japan would retain responsibility forthe production of medium and speciality models - with a substantial inflow of parts from Japan - and the manufacture of large saloons/sporting models would shift to Japanese plants in the leading market for these vehicles - the US.

This scenario is rapidly gaining acceptance among Japan's producers as the in-built flexibility of sourcing from a worldwide manufacturer base which would also offer a safeguard against the threat of fluctuating exchange rates becomes clear. The flow of parts woule be stepped up between production bases and full export programmes initiated.

Already, Honda has revealed plans for the export to Japan of 3,000 US-built Accord Coupe models next year. Shipments will be built up to 70,000 vehicles by 1990 of which 50,000 will go to Japan. Some of the balance is expected to reach Europe.

From summer 1988 Mazda is to begin importing Ford cars to Japan after assembly at Mazda's North American plant. The Hiroshima-based producer is also looking at an exclusive relocation of its production of RX7 sports models to the US by 1990.

Even Mitsubishi, in the run up to production at its joint US facility with Chrysler, has disclosed that it is to study the feasibility of exporting cars to Japan.

A growing price disadvantage in the hotly-contested small car sector is underlined by Honda's recent decision to halt exports of Civic models to the US market. The range was being substantially undercut by the rival Hyundai Excel from South Korea.

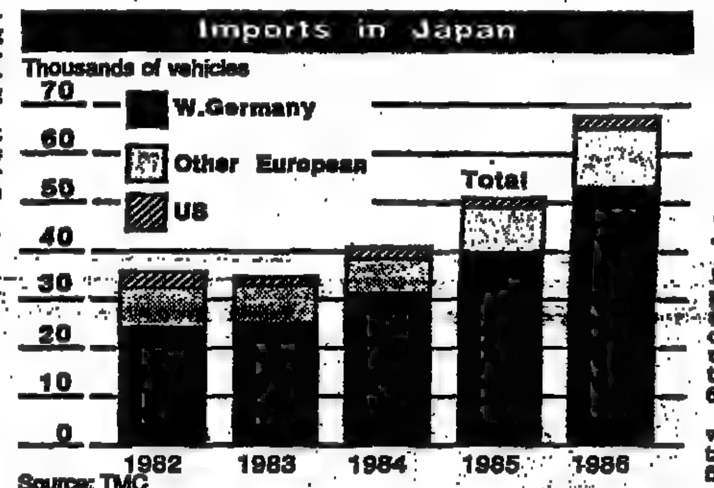
In a switch from confrontation to collaboration, Misubishi has now launched a new entry-level Precis range in the US. Prices have been held down by sourcing the model from its South Korean affiliate, Hyundai.

At the same time, Isuzu is sourcing cut-price Trooper models from Taiwan. Nissan is weighing up the potential for low-cost imports of completed vehicles from Mexico and a glimpse of what is in store for Europe is scheduled by next spring.

Mazda will be unveiling its baby 121 model. Built by Kia in South Korea, it is already on sale in the US badged as Ford's Festiva.

As well as fostering vehicle build arrangements with affiliates in South Korea, Japan's drive to cut costs is leading to a new network of component feeder channels in South Korea, Taiwan and Thailand.

Toyota is encouraging 20 of its biggest suppliers to set up new facilities in Taiwan. Nissan is planning to ship thin steel sheets to its Taiwan affiliate.



Source: TMC

Yue Loong will then stamp the sheets into body panels and send them back to Tokyo, with an estimated 10 per cent saving in costs.

Nissan also plans to use the body panels from Taiwan at its Mexican production plant.

Attracted by labour rates pegged at only 5 per cent of US levels, big names such as Nippondenso and NHK Spring have already started export operations from Thailand, and Japan is playing a key role in plans to set up a major engine manufacturing plant in the country.

In the rush for economies of scale, multiple alliances are being forged to supplement the one-to-one bridgeheads established with Western vehicle producers over the last decade.

Both Toyota and Nissan now have operating links with Volkswagen and Ford has extended its monogamous relationship with Mazda to include new alliances with Nissan in both Canada and Australia.

Nissan's production outside Japan currently totals 325,000 vehicles a year - 12.5 per cent of its annual output. By the early 1990s it is planned to raise this to 25 per cent.

Toyota is preparing to manufacture 500,000 vehicles overseas by 1990. This would represent 14 per cent of its output last year.

The main thrust of this overseas investment is still heading for the overcrowded US market where, by the end of the decade, Japan could have 20 per cent of its production capacity. With the addition of imported models, this would boost Japan's share of the US car market from 23 to 33 per cent.

Toyota has already broken the 1m car/truck sales barrier in the US. Now both Honda and Nissan are chasing similar goals.

At Y150 to the dollar, it is calculated that cars can be built in the US as cheaply as in Japan - once the $500 transport costs are taken into account. So far this year, this has given rise to announcements of additional US-build capacity of more than 200,000 vehicles.

Honda's recent announcement of plans to increase its US capacity by almost 50 per cent highlights the company's ambitions to become the number one exporter in the US auto industry. As well as building a new plant at East Liberty, output of Accord and Civic models at the existing Marysville plant is being stepped up by 40,000 to 360,000 vehicles next year.

An additional $150m expansion of Honda's engine plant in Ohio will increase production to 500,000 engines a year by 1991. Future plans could raise Honda's North American capacity to 800,000 vehicles.

In contrast to this aggressive expansion, there is speculation that this year, for the first time, Japan may fail to sell its 2.3m import quota in the US. Over the seven months to July this year's exports of knocked down car kits for assembly in North America rose by 22 per cent but shipments of built-up cars were down 11 per cent to 1.2m.

Nissan expects to drop 30,000 sales in the 1988 model year and with the US market on the wane, Subaru of America has slipped into the red, heightening speculation about the viability of its plans for a joint venute with Isuzu

In Europe, Japan's global perspective retains more opportunistic overtones, with ad hoc projects so far centring on light vans in an attempt to penetrate controlled markets.

Compared with capacity for 2.2m vehicles in the US by 1990, in Europe plans already laid provide for annual production of no more than 350,000 Japanese cars by the end of the decade, though this figure includes only models for distribution in Europe under Japanese badges.

A positive outcome to current investigations into European production by companies such as Toyota, Diahatsu and Subaru could add a further 200,000 units to this figure, raising the total to a potential of almost 600,000 by 1990.

At current import levels, this would increase Japan's penetration of Europe's car market from 11 to 16 per cent.

In the UK Nissan has brought forward it s expansion programme. Planned output of Bluebird models has been raised by 20 per cent to 29,000 units this year.

Engine production gets under way in 1988 and phase two output of 100,000 cars per year has been moved forward to 1990,with the final stage shifting annual output to 240,000 cars.

Honda expects to receive some 7,000 Legends from the Rover Group's Cowley line in 1987 - 5,000 will be exported to Europe. Rover is also to build 5,000 Ballade models for the UK market.

With exports to the rest of Europe this could increase to 10,000 units per year and when the ARB mid-range car comes into production, the volume of cars assembled by Rover for Honda's European network is expected to climb to 40,000 units.

Ian Robertson

Spain

Home buying spree

VETERAN big-city residents in Spain say that the traffic jams in, say, Madrid or Barcelona are now comparable to those of ten years ago. In recent years congestion had eased because Spaniards stopped buying cars as the recession set in.

In addition, rising fuel prices turned motorists into public transport users and major ring roads in both cities were inaugurated.

The fact that Madrid and Barcelona, and Seville and every other urban centre for that matter, are now bumper to bumper again is in part related to cheaper petrol. The dominating reason, however, is that Spain is in the midst of a consumer boom and the car-buying spree has far outstripped public investment to keep the traffic flowing.

The home truths revealed by the traffic jams are complemented by the statistics of the car manufacturing sector. The shape of Spain's car industry is changing and the pattern that began to emerge last year has now become an identifiable trend.

A clear indicator is the switch from an export-fuelled sector to one that is supplying a widening domestic demand. A second is a return to profitability among manufacturers, the most successful of which have fully intergrated their Spanish operations into a European strategy.

Domestic car sales in Spain hit a peak of 676,000 units in 1977, creating the traffic jams of a decade ago. They then dwindled down to a low of 435,000 in 1981. Since then the domestic market has grown steadily and, lately, dramatically.

In the first half of this year 332,780 vehicles were sold. The figure represents a 40 per cent rise on the first quarter of last year and compares with the 1986 total of 538,650 Spanish-built cars sold in the domestic market.

The strength of the Spanish consumer market can be equally gauged by the rush to buy imported cars. Imports rose 91 per cent last year and imported cars increased their share of the Spanish market by five points from 13 per to 18 per cent.

For years European manufacturers had looked longingly at the potential of the Spanish market - 35 per cent of Spanish cars are more than ten years old against, for example, 16.3 per cent in France. And they had complained about the exceptionally high 36.7 per cent duty on imported cars that had costly protected domestic manufacturers right up to Spain's EC entry in 1986.

The tariff barrier came down by 10 per cent in March 1986 and by a further 12 per cent last January. All European manufacturers did well and some did very well indeed. Last year Fiat was able to increase its sales in Spain by 190 per cent.

This is a trend that will continue as the foreign penetration of the Spanish market, currently hovering around the 20 per cent mark, lags well behind the 36.4 per cent figure in France, the 38 per cent posted in Italy and Britain's 56 per cent.

For the present, however, domestic manufacturers have little to concern them given the buoyancy of the market. It is the demand in the latter that has syphoned off the exports that were the mainstay of the Spanish industry. Spanish car imports were down by 8.9 per cent in 1986 and down again by 7.7 per cent in the first quarter of this this year.

With the exception of General Motors, which is undergoing a major investment programme in its Zaragoza plant, and of Seat, now owned by Volkswagen, which needs a long climb to haul itself out of a negative balance sheet, the Spanish manufacturers had a good year in 1986 and are set to improve on their performance this year.

Ford managed to raise its share of the Spanish market from 13 to 15 per cent and posted pre-tax profits of Pta 28.5bn, a rise of 105 per cent on 1985, on sales of Pta 246.5bn. In common with other manufacturers Ford shifted its emphasis to the domestic market. The US company's exports from Spain dropped from 194,000 units in 1985 to 168,000 last year.

Meanwhile, the French manufacturers based in Spain posted profits in 1986 after years in the red, as a refinancing and streamlining programme negotiated with the Government began to make its mark. Citroen turned a Pta106m loss in 1985 into a Pta3bn profit and Peugeot-Talbot reported Pta2bn profits after a Pta494m loss the previous year.

Fasa-Renault, which is on a much firmer footing and has a 28 per cent share of the Spanish market, remained Spain's biggest producer with 167,048 units built in 1986, against Seat's 115,850, and returned profits of Pta19.4bn.

It is Seat, however, which should perhaps be viewed as the yardstick by which to measure the future of the Spanish auto industry, a sector that now ranks fourth in Europe, behind Germany, France and Italy.

The company, once owned by INI, the state public sector holding, in the days when it manufactured Fiat models under licence, brought its losses in 1986 down to Pta27bn from Pta36bn the previous year but missed its target of containing the red figures to Pta15bn by an embarrassingly wide margin.

The newly-installed Volkswagen management claims nevertheless that if the current demand is sustained, the company could be turning a profit by 1990, citing a rise in sales of 21 per cent in the first half of 1987.

But the real importance and significance of Volkswagen's ownership of Seat has to do with the manner in which the Spanish manufacturing base fits into the general strategy of the West German giant.

What the Spanish government did, when it sold Seat to Volkswagen two years ago, was to relinquish any pretence that Spain could go it alone in the car manufacturing business. A more positive way of putting it, and indeed this was the way in which the Government sold the Volkswagen agreement to the Spanish public, was to say that Spain had a specific role to play in the multi-nationalisation of the European and world auto industry.

What Volkswagen did when it took on the awesome task of breathing new life into Seat was to seize on Spain as the ideal location for basing its small and medium car production. This was and remains a risk venture because it was taking on a huge loss-maker but as a strategy, the decision to build Polos in Seat's Pamplona plant followed a well-charted path. Ford and General Motors had done exactly the same kind of thing when they opted to build Fiestas and Corsas in Spain.

The French manufacturers had arrived in Spain years earlier with a closed domestic market, that happened to be on their doorstep, in mind. In contrast, the latecomers to the Spanish auto industry had betted strongly on Spain as an international car manufacturer - for they were fully aware that with Euro entry the Spanish market would itself become internationalised.

Jimmy Burns

Car industry in leading countries

In thousands of units

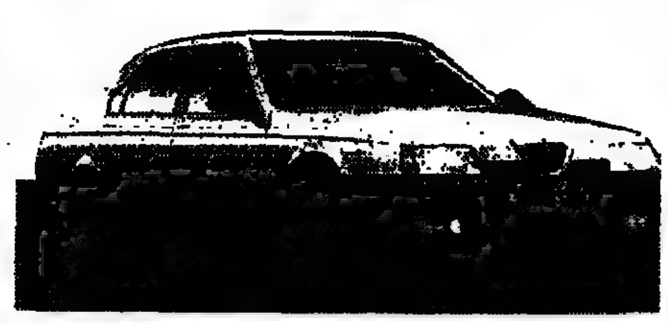
	1977	1982	1983	1984	1985	1986[1]
Worldwide						
Production	30,906	27,252	30,236	30,971	32,738	33,343
Federal Republic of Germany						
New car registrations	2,561	2,156	2,427	2,394	2,379	2,829
Imports	949	824	1,056	1,091	1,086	1,295
Exports	1,93	2,184	2,169	2,233	2,568	2,520
of which: to Europe	1,303	1,785	1,748	1,896	1,934	1,953
to U.S.A.	466	257	278	366	439	446
Production	3,791	3,761	3,878	3,780	4,167	4,311
France						
New car registrations	1,907	2,056	2,018	1,758	1,766	1,912
Imports	582	982	975	896	978	1,004
Exports	1,821	1,464	1,614	1,530	1,539	1,551
of which: to Europe	1,330	1,085	1,100	1,066	1,159	1,323
Production	3,092	2,777	2,961	2,713	2,632	2,773
United Kingdom						
New car registrations	1,326	1,557	1,794	1,751	1,834	1,885
Imports	698	934	1,076	1,020	1,072	1,072
Exports	475	313	274	219	240	201
of which: to Europe	183	140	111	99	136	149
Production	1,328	888	1,045	909	1,048	1,019
Italy						
New car registrations	1,219	1,851	1,452	1,592	1,746	1,818
Imports	464	853	639	758	846	814
Exports	644	437	492	481	450	603
of which: to Europe	512	383	449	433	406	541
Production	1,440	1,297	1,396	1,439	1,389	1,652
Sweden						
New car registrations	241	216	217	231	263	370
Imports	173	158	163	178	190	200
Exports	181	233	274	301	307	344
of which: to Europe	105	103	116	126	123	142
Production	235	295	345	373	401	421
Spain						
Exports	314	495	613	706	762	765
Production	989	928	1,142	1,177	1,230	1,282
U.S.S.R.						
Production	1,280	1,307	1,315	1,327	1,332	1,360
Japan						
New car registrations	2,500	3,038	3,136	3,095	3,104	3,146
Imports	41	35	37	44	52	73
Exports	2,959	3,770	3,806	3,981	4,427	4,574
of which: to Europe	861	896	1,037	1,037	1,086	1,320
to U.S.A.	1,376	1,741	1,772	1,939	2,216	2,348
Production	5,431	6,882	7,152	7,073	7,647	7,810
U.S.A.						
New car registrations	10,826	7,754	8,924	10,118	10,889	11,140
Imports	2,791	3,067	3,667	4,880	5,300	5,400
Exports	686	353	538	591	665	648
Production	9,214	5,074	6,781	7,773	8,185	7,829
Brazil						
New car registrations	678	657	610	533	603	675
Exports	55	121	133	152	161	145
Production	729	721	774	707	777	892
South Korea						
Exports	0	0	0	0	119	299
Production	42	94	122	159	264	457

[1] Some figures are partly estimated

Source: Daimler-Benz

Italy

Squeeze hits upsurge



Alfa 164: racier alternative to the Thema

WHAT LOOKED certain to be a remarkable year in Italy's passenger car market was abruptly clouded in early September by a good old-fashioned government squeeze on domestic consumption.

In an attempt to prevent the balance of payments toppling into the red and to damp down consumer expenditure, the Government piled a hefty four percentage points on the existing 18 per cent VAT rate on cars.

The subsequent indignation in Turin, home of the nation's premier motor company, Fiat, was understandable, even though the new rate would apply only until the end of the year.

But there was still more to come. In its 1988 budget proposal later in the month, the Government proposed a permanent one percentage point addition to the 18 per cent rate, and higher road and car insurance taxes.

Of course, none of this will temper the Italians' love of the motor car, but it may curtail the indulgence of their passion - though not, perhaps, by a huge margin. Record sales in 1985, 1986 (1.83m) and in the first eight months of this year reflect a substantial growth in purchasing power thanks to average pay rises which, in 1987, have run four to five percentage points above prevailing inflation.

Rising prosperity is reflected not only in the still-rising demand for the three best-selling motoring "staples" - the Fiat Uno, the Fiat Panda and the Volkswagen Golf - but also the steady expansion of the market for luxury and high-performance cars.

Demand for vehicles priced at about L23m ($17,500) and upwards has risen from 90,000 in 1985 to 125,000 last year. All the signs are that this sector is still growing at a faster pace than the overall market which by the end of August reached 1.4m cars - 9.5 per cent higher than in the same period last year.

Moreover, strong consumer interest in luxury cars was guaranteed by the fanfare surrounding the launch at the end of September of the Alfa 164. Although, conceived, designed and developed under the old management, Fiat immediately focused on the new car as soon as it assumed control of Alfa Romeo at the beginning of the year.

The 164's launch was delayed for six months - crucially because the car too closely resembled the Lancia Thema in price and appearance. After some cosmetic changes, the 164 has appeared as a higher priced, somewhat racier-looking alternative to the Thema, with which it shares the same floor pan.

Fiat executives appear confident that the new Alfa will not cut sales of the best-selling Thema which, since its launch in 1985, has triumphantly dominated the domestic luxury car market along with its close cousin, also sharing the same floor pan, the Fiat Croma.

Each car has taken just over 29 per cent of their sector of the Italian market in the first half of the year, mainly at the expense of BMW whose share has fallen from 29.5 per cent in 1984 to just 13 per cent.

The importance of the 164 to the Alfa's fortunes in this sector cannot be exaggerated. It took 24 per cent of all sales in 1984 with its Alfa 90 whose appeal has subsequently slipped so badly that it is now struggling to hold 5 per cent. Giuseppe Tramontana, managing director of Alfa-Lancia, is expecting a 12 per cent increase in turnover this year to about L3,000bn and, thanks to Lancia's contribution, the subsidiary should break even this year.

But Alfa Romeo itself is continuing to lose money and its deficit this year is thought likely to be about L300bn.

Looking at the Italian market as a whole, it is apparent that domestic manufacturers, principally Fiat with its Alfa-Lancia subsidiary, have had to give some ground to imports in the first eight months.

Fiat and Lancia's sales have risen by 8.2 per cent to 750,015 while Alfa Romeo has registered a tiny 0.6 per cent advance to 82,625. Add in Innocenti (-5.6 per cent) Maserati (+8 per cent) and Ferrari (+30.6 per cent) and the Italians' share of their domestic market stands at 60.3 per cent against 61.7 per cent after the first eight months of 1986.

Prominent among imports has been the boom in Seat's sales - by 42.3 per cent to 44,160. Renault's position as the leading importer is coming under pressure from Volkswagen, the French company pushing up sales by only 2.8 per cent to 110,615 units against a 13.8 per cent advance by Volkswagen, to reach a total of 101,990. The French interest has been better maintained by Peugeot-Talbot whose sales are up 21.2 per cent to 55,560.

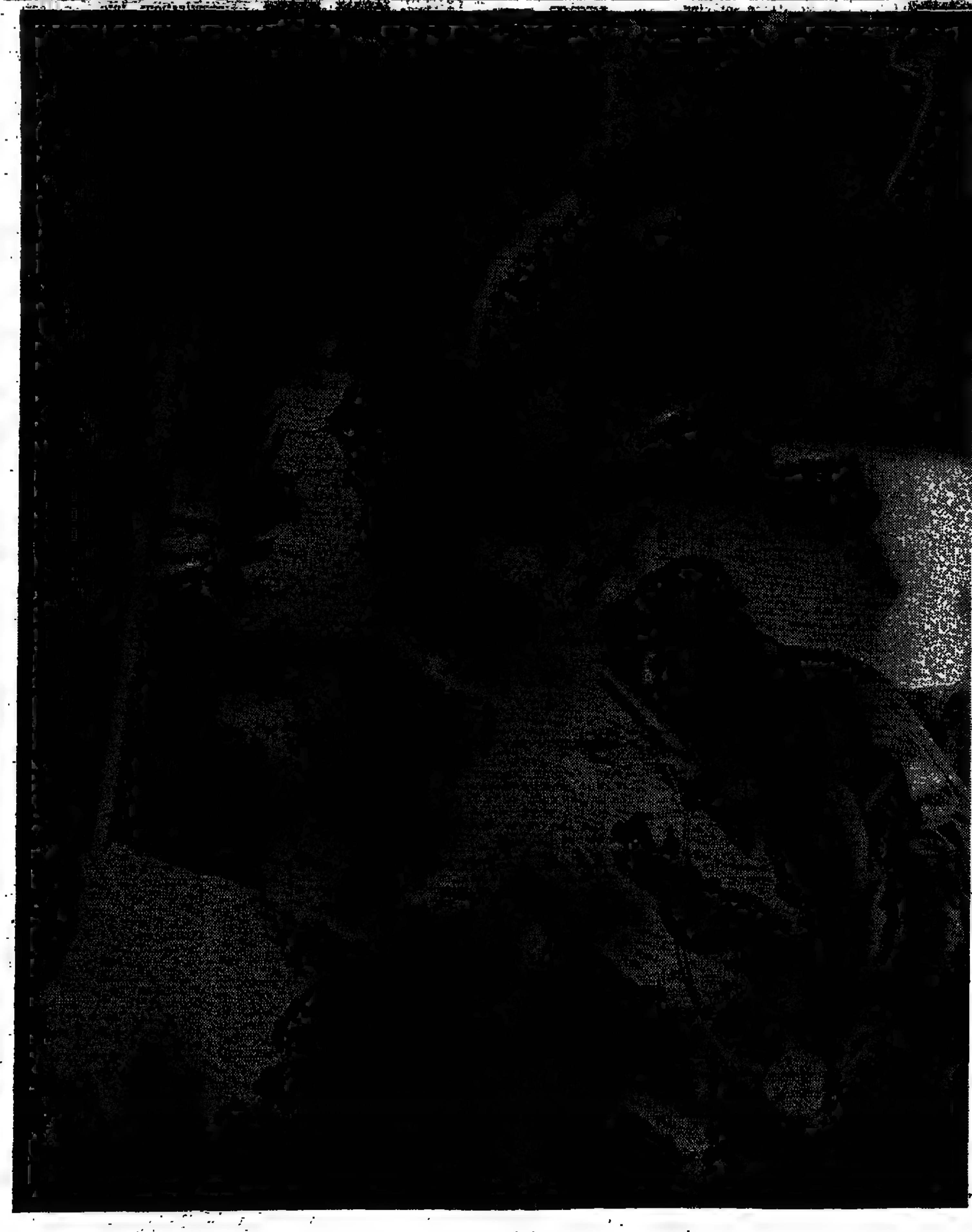
On the export front, Italian sales rose 16.2 per cent in the first half of the year to 351,685, for which, obviously, Fiat was largely responsible. The Turin company now holds the top share, 15.3 per cent in Western Europe following its takeover of Alfa Romeo and has managed to raise its share in a number of markets.

In France it has risen from 6.7 to 7.1 per cent; in the UK from 3.4 to 3.7 per cent; Portugal, 13.2 to 14.3 per cent; Spain, 4.5 to 7.5 per cent; while it has slipped slightly in Germany from 4.9 to 4.8 per cent.

Within this framework, Alfa's performance has been relatively encouraging. About 42 per cent of its production is sold abroad, of which 35 per cent is in Western Europe, where Alfa registrations have risen by almost a fifth this year, according to the company.

Having resumed sales into the American market in the last couple of years, about 7,100 cars have so far been delivered this year, 7.5 per cent higher than in the same period last year but still well short of the urgent target of 20,000. Fiat's market plan aims for total US sales of 60,000 by 1990.

John Wyles



Taiwan

Facing the peril of imports

TAIWAN'S motor industry, tied almost entirely to domestic consumption because of quality, costing, and marketing limitations, is taking drastic steps to ease those limitations in the face of a small home market and almost-certain increasing competition from imports.

The Government for years has protected the industry, which now consists of six local and foreign-invested assemblers, through import bans and excessive duties which at one time exceeded 100 per cent. However, the protection afforded the assemblers little incentive either for improving the quality of the cars they produced or for lowering prices, which in some cases were double those of similar models in Japan and elsewhere.

All that has changed, though, with the promulgation of a government timetable running through 1992 that will drop the tariffs on imports from their current level of 55 per cent to 30 per cent, and at the same time lower the requirement for local parts content from 70 to 50 per cent.

Imports from Europe and the US are already beginning to make a significant dent in the local market. One manufacturer estimates, for instance, that imports this year - from such manufacturers as Daimler-Benz of West Germany, Fiat of Italy, Volvo of Sweden, SEAT of Spain, and several American companies - already account for as much as 20 per cent of domestic sales.

Taiwan's Industrial Development Bureau is only slightly more conservative, placing the import share at 15 to 18 per cent, With duties due to drop by five per cent a year through 1992, manufacturers figure that imports will become more competitive in this market, and that they will have to redouble their efforts just to stay in place

Exports apparently do not figure prominently in the industry's plans for getting ahead, or even standing still, although one company has already begun todabble in an overseas market. Ford Liu Ho, the local affiliate of Ford (Australia), in October of last year began trial shipments of its CT-18 Mercury Tracer to Canada at the rate of 1,000 vehicles a month.

But Ford officials a year later are not claiming immediate success. They say only that more market exposure will be needed before they can gauge its potential in North America.

Similarly, the "Feeling" sedan, launched with enormous fanfare last year by Yue Loong, which has a technical cooperation agreement with Nissan Motors of Japan and which developed the "Feeling" in-house, shows few signs at present of export potential, despite earlier company announcements to the contrary.

Sales in Taiwan

(Jan-Aug 1987)

Cars:	Sales	% Market share
Ford	24,255	19.3
Sanyang (Honda)	21,894	17.5
Yue Loong (Nissan)	34,118	27.2
Sanfu (Renault)	7,167	5.7
China Motors (Mitsubishi)	901	0.7
Yue Tyan (Peugeot/Daihatsu)	14,130	11.3
Imports	22,924	18.3
TOTAL:	125,389	100
Light trucks:		
Ford	7,524	15.3
Mazda	810	1.6
Yue Loong	16,723	34.0
China Motors (Mitsubishi)	17,267	35.2
San Fu (Subaru)	4,508	9.2
Yue Tyan (Daihatsu)	2,290	4.7
TOTAL:	49,122	100

Source: Ford Liu Ho (Taiwan)

The Feeling 101, built with Nissan's help

Company officials say that the car's quality probably does not yet meet international standards, and that its price, bolstered by a 25 per cent appreciation of the Taiwan currency against the US dollar over the past 20 months, is simply not competitive abroad.

Various reports have speculated that Japanese carmakers, wary of protectionist sentiment in major markets, have begun considering Taiwan as a less-expensive manufacturing base for its automotive exports and its own markets. From Taiwan, some pundits theorise, makers might avoid possible export sanctions aimed at Japan, and at the same time divert some of the general flak aimed at Japanese exports.

Past and recent events tend to reinforce that argument. Toyota, for instance, pulled out three years ago from of a joint venture with the Taiwan government to set up a large-scale car manufacturing plant whose stress was on exports, only to return this year and invest in local carmaker Kuo Zui Motors. Initial output is to start in 1988.

Subaru, a subsidiary of Fuji Industries, also improved its profile in October by agreeing with local Taiwan Vespa to a US$40m joint venture to produce the Subaru one litre engined "Justy" sedan. Within three years, production is expected to reach 60,000 units annually. The enhanced Japanese presence in Taiwan's automotive industry has prompted speculation in Chinese-language business publications that Japanese manufacturers are planning to dominate the local industry through shareholdings in assembly companies and, increasingly, in component and spare-parts companies.

One story, though, which ran in the local English-language press, reported almost gleefully that Japan's purported strategy to get around the yen's appreciation by manufacturing in, and exporting from, Taiwan, seems to have backfired with the subsequent strong rise of the Taiwan currency.

Such reports and speculation, whether or not they reflect reality, deviate from the real issue, however: Taiwan's population of only 20m hardly represents the kind of market potential that might satisfactorily support eight carmakers, whose limited economy-of-scale is in turn hardly suited to pricing policies that might crack open overseas markets.

According to the Government, Taiwan's car and light-truck makers last year produced 174,465 vehicles out of total capacity of 270,500 - for a utilisation ratio of only 64.5 per cent. Makers optimistically project that demand this year has risen by 30 to 40 per cent. But even if the highest projection is attained, capacity will still exceed demand by 10 per cent. What will happen to the local assembly industry as duties on imports continue to inch downward and economic realities keep forcing up the prices of locally-assembled vehicles would, at first glance, require little guesswork - especially given the Taiwanese tendency to favour anything foreign over their own products.

But local manufacturers are betting against the odds that by the time the price of imports roughly approximates that of home-grown vehicles they will have succeeded in bringing down their costs and increasing vehicle quality and after-service to the point that consumers here will prefer the local variety.

To this end, they are increasingly emphasising formerly-neglected areas of the automotive sector. Many manufacturers, for instance, are taking increased interest in building up their satellite suppliers' capabilities and quality-control; they are refining their cars to offer increased performance and better fuel mileage; and they have begun setting up their own after-service facilities with factory-trained mechanics, rather than relying on the often slipshod repair operations offered by their dealers.

The new game also involves a non-traditional approach to marketing. "Our strategy isn't the same as it was before," says an official of Yue Loong Motors. "We've dropped our emphasis on the 1.2 to 1.3 litre small-car market in favour of larger, high-end cars where the prices - and the profit margins - are much better.

"In terms of market share of cars sold, we may have dropped somewhat as a result of our new strategy, but our sales target for 1987 is $20bn (about $666m), and if we achieve this, it will be a company record," he concludes.

Robert King

Skoda's long-awaited replacement, styled by Bertone

Eastern Europe

New model set for West

THE INTRODUCTION of the first new Skoda model in Czechoslovakia in 11 years, and the signing of a contract by Fiat to produce a new mini car in Poland and co-operate in modernising Poland's FSM small car plant, were rare highlights this year since car manufacture in Eastern Europe is changing at a glacial pace.

East Germany continues to produce models designed in the early 1960s while Romania is making no effort to replace its ageing Dacia model, a derivative of the old Renault 12.

But the unveiling of the long-awaited new Skoda at the Brno engineering fair last month was an automotive event in Eastern Europe. It mattered little that the Bertone-styled car will first become available elsewhere in Eastern Europe - albeit in modest quantities - by 1989. The East European car buyer is prepared to wait.

The three-door Skoda hatchback, which resembles the VW Golf and Fiat's Ritmo, is still a prototype of which some 200 vehicles are to be produced at a small Skoda plant this year for testing purposes. Series production is not scheduled to begin until next summer at the main Skoda factory in Mlada Boleslav but will run parallel with the existing rear-engine car.

Next year's batch of about 70,000 new models will all be sold in Czechoslovakia in order to assure better quality control, the manufacturer says. Only in 1989 will output shift entirely to the new front-wheel drive model which has been named the Skoda Favorit.

The long run-up period before achieving full production of some 180,000 to 200,000 new Skodas a year means the company will not be earning hard currency from exports to the West of the new model until 1989, about five years after the car was conceived. Development was delayed because Skoda had to buy new production technology plus licences for many of the car's components.

They include disc brakes from Girling, Lucas electricals, a Pierburg carburettor, Sachs clutch, a West German exhaust system and an American-licensed exhaust system in order to meet the 1983 US exhaust regulation adopted in most Western countries.

The production line for the new Skoda has also been modernised at a cost of more than $100m for imported Western equipment. John Brown Automation is installing the assembly line for engines while a new production line for bodies is also being prepared.

Officials of Motokov, Skoda's exporter, say it is hoped to produce 220,000 of the new model by 1990 when the old one will be dropped. Longer range plans exist to double production to a more economical 400,000 units annually.

A five-door version and an estate care are also to be produced after 1990. At first the new Skoda will be powered by a somewhat refined version of its previous 1.3 litre engine with an aluminium alloy engine block and aluminium cylinder head. But a decision is expected shortly on whether to buy a licence from either Isuzu or Nissan to produce a family of modern engines for the car.

The serious delays encountered in producing the new Skoda underscore the dilemma facing Eastern Europe's oldest car producer. By 1989 when the Skoda finally enters Western markets its price will be considerably lower than if it hadgone on sale several years earlier.

The UK remains Skoda's leading foreign Western market with a record 12,000 cars delivered last year. Sales plunged to 4,000 in Denmark though where 7,500 cars were sold only a few years ago. Motokov officials attribute this to the "improved" economic situation there which always hurts an economy car like the Skoda.

The contract signed in Poland last month by Fiat to produce a new mini car at the FSM plant in southern Poland ended a four-year long negotiating saga which pitted Fiat against Renault (which soon dropped out of the running), Daihatsu and Toyota. In the process the Polish side extracted progressively better terms for the new model to replace the Polski Fiat 126 and for modernisation of production facilities. Since production began in 1973 mroe than 2.3m of the tiny 126p's which motorised Poland have been turned out.

The choice ofFiat was logical in light of its long co-operation with Poland (going back to pre-war days(and the company's distribution network which effectively sold the 126p in the West. The agreement provides for Fiat and other European companies to deliver machinery and equipment for the FSM plant valued at $470m in order to begin producing the new model in 1991. Output of the new mini car is expected to reach 160,000 units annually of which one third would be sold by Fiat in western Europe.

Poland's other car maker, FSO, which makes medium-sized 125p hsds an even larger contract which is being bid on by both Fiat and Daihatsu. In this case as well fierce competition between the two car firms has led to considerably improved terms for Poland. Both companies are offering their latest models tobe built under licence by FSO as a replacement for the now obsolescent 125p which Fiat ;icensed in the 1960s to both Poland and the Soviet Union.

Fiat and Daihatsu have offered generous credits and arrangements to market the FSO car in the West. A consortium of Daihatsu and three Japanese trading companies agreed last July to extend the Poles a loan of Y10bn as part of a package to be signed later this year. But the Japanese Government (and Rome) are known to be wary of guaranteeing credits for the project until Warsaw paid the money it owes on rescheduled government loans.

Mr Giovanni Agnelli, the president of Fiat, predicted in Warsaw at the signing of the FSM contract that the one with FSO was likely to go to Daihatsu. Fiat executives explained that a combination of superior financing and technology would probably clinch the deal for the Japanese car maker.

In East Germanynothing has changed model wise since the early 1960s. The same tiny Trabants and medium-sized Wartburgs are being produced now as then. Only waiting times have lengthened, up to 12 years for the Wartburg and up to 10 years for the Trabant. Production of the Wartburgin Eisenach is to be boosted from the present 74,000 cars annually to 100,000 units by 1990.

Starting next year the Wartburg will be equipped for the first time with a four cylinder VW engine produced under licence in East Germany. East Germany will manufacture nearly 400,000 of the engines annually, delivering 100,000 units to VW as repayment. The engine deal was imperative for East Germany because the two stroke engines powering the two car models are highly polluting and cannot be sold in Western Europe or in Yugoslavia and Czechoslovakia.

The Sachsenring car company which produces the Trabant also plans to boost output from the current 143,700 units to 175,000 in 1990. Putting such figures into perspective it is interesting to note that what is now East Germany before the war produced one in three cars manufactured in all of Germany.

Recently an East German woman wrote in to a radio phone-in programme to ask whether a husband's place on the waiting list for a new car could be inherited bythe wife. The answer was that it could as well as byan adult child who can ',prove he or she was the sole heir.'

Romania, the only oither car producer in Eastern Europe, is still manufacturingthe Dacia model based on the Renault 12 and exporting it to other Comecon countries. The more modern Olcit, a Citroen licensed car, is rarely seen outside Romania but the rugged four wheel drive Avro had some success in the West.

Hungary does not produce cars but does make electrical components for the Soviet car industry in return for Lada cars. The Hungarians have also been negotiating with Moscow this past year on the possibility of setting up an assembly plant in Hungary for the new Moskvitch car.

Bulgaria last year signed an agreement with the Soviet Union under which a significant proportion of the electrical equipment in Soviet cars is to be made in Bulgaria. The new Lada Samara is being equipped with Bulgarian-made dynomos and starters and increase supplies of Soviet cars to Bulgaria are to depend on the supply of electrical components to the Soviet Union, a Soviet trade official says.

Leslie Colitt

Brazil

Upset at state controls

BRAZIL's motor industry, over the last 12 months, has once again proved itself to be an industrial Gulliver - a potential giant rendered all but helpless by the countless strings of government regulation.

So frustrated have the major manufacturers become that this month, Autolatina, the new holding company that links Ford and Volkswagen, has resorted to the courts to make the Government stand by a protocol on pricing, investment and exports signed with the industry in April.

Under the deal, agreed with former Finance Minister Dilson Funaro, regular price rises would be conceded every 30 to 40 days to combat double digit monthly inflation. In return, the manufacturers undertook to invest $1bn up to the end of 1989 to raise export sales to $7.4bn, leaving a $4.5bn surplus after imports.

Though ambitious, most independent analysts believe this kind of export growth is not implausible for the Brazilian industry. An OECD report estimates that the country could produce 2.8m vehicles a year by the end of the century, while Mr Wolfgang Sauer, Autolatina's president, argues still more optimistically that it could be exporting two thirds of a 4.5m unit annual output as soon as 1995.

Such a performance would let Brazil leapfrog all the European manufacturing countries to become the third-largest world producer after Japan and the US. Its feasibility is based on the country's domestic supplies of high grade iron ore, capable of supplying steel at $280 a tonne, compared to more that $400 in the US, and a relatively low cost, high-skilled labour force.

But if the dream is not Utopian, it has proved totally unrealisable in Brazil's complex political and economic climate. In the last year, in place of steady, systematic growth the industry has watched its sales chart alternately soar and crash.

A year ago, for example, the domestic market was so overheated by frozen prices that the unavailability of new cars gave secondhand models a 50 per cent premium over list prices. But when tax and price rises fed through at the beginning of the year Autolatina, General Motors and Fiat at one time had more than 25,000 unsold vehicles in their lots, lacking both buyers and key components.

In addition, there have been strikes, lay-offs and lock-outs. At various times manufacturers have refused to deliver at the fixed government prices to distributors while at others the latter have themselves refused to take delivery in protest at low margins.

Today, vehicle sales for the first nine months of the year were 414,850 units, down 39 per cent on the same period last year and the worst domestic performance since 1972. At the same time, despite complaints of an overvalued cruzado-dollar exchange rate, even this meagre achievement has been accomplished only through large increases in exports.

Foreign sales are ahead by 88 per cent in volume at 264,760 units by the end of September - worth $1.98bn and representing a 60 per cent rise in value terms. But the improvement abroad, fuelled by exports of VW's lower range Voyage and Parati models to the US, does little to disguise the fall off in total output which now has no chance of achieving last year's 1.05m units.

Manufacturers place their decline in performance firmly at the door of the Government. They claim that constant intervention on pricing and tax policy has undermined forward planning and investment.

Though it was clear that moves were afoot before the price-freezing Cruzado plan of February 1986, the decision to press ahead with the creation of Autolatina stemmed directly from five continuous years of losses at Ford and VW, industry experts say.

The Autolatina holding company - capitalised at some $1.8bn and uniting 75,000 workers around capacity for 900,000 units - was also an opportunity to achieve economies of scale both in shared component production and through combined use of costly research and development facilites. It also sought to exploit the growing commercial and diplomatic rapprochement between Brazil and Argentina.

But its most visible achievement to date is to form a powerful lobby for manufacturers' interests in Brasilia.

As president, Dr Sauer has spared little time to voice the frustration of the industry in political quarters. Not least, he has demonstrated a willingness to use the company's muscle - earlier this month refusing to deliver to showrooms in protest against pricing policy.

While in the longer term all the manufacturers would welcome a genuinely free market, their more immediate ambitions are simply to enforce the April protocol.

This month, for example, there was widespread anger at the Government's decision to give price rises of 10.8 per cent when analyses suggested that no less than 30 per cent was needed.

Among other points, the industry believes it is being used as a milch-cow for the depleted national treasury, while also now coming under intense pressure to provide hard-currency earnings from abroad without being allowed the domestic profitability at home that was promised.

As Dr Andre Beer, president of the manufacturers' association, Anfavea, pointed out in a recent statement: "Brazilian cars are the cheapest in the world at factory prices, but the most expensive when offered to the consumer."

True or not, what is incontestable is that the tax component in retail prices rose at one stage from about 28 per cent to near 75 per cent, before returning to some 50 per cent after industry pressure.

So far Mr Luiz Carlos Bresser Pereira, the Finance Minister, appears to be resisting demands to abide by the protocol signed by his predeccessor. His argument is that the document was merely a declaration of intent with no legal force.

But the real motive for government stubborness is thought more likely to be its need for revenues together with the political and economic imperative of holding down the inflation index.

Furthermore, the strictures imposed by Brazil's February 20 moratorium on $68bn in commercial bank loans make the maintenance of export sales growth a key objective for the balance of payments and reserves.

As foreigners, the plight of the car companies appears less urgent to Brazilian politicians than local industries, despite their significant trickle-down influence on other sectors. Somewhere, it is assumed, there must be a limit to how long the foreigners can be persuaded to sell cars at a loss.

But the perennial hope that the OECD's forecast could be achieved (plus the capital cost of closedown) has so far kept them hooked. For many, however, the old cynical joke - "Brazil is a country of the future, and always will be" - can be painfully applied to their own industry.

Ivo Dawnay

Stuart Marshall drives some of the wide variety of new and updated models on offer

Emphasis on engine power and top speed

A VISITOR FROM outer space could be forgiven for thinking that European motorists are allowed to drive as fast as they like. In the past year the emphasis in new cars has been on increased engine outputs and still higher top speeds.

Even some of the cheapest new cars - the Citroen AX, for example - are able to exceed 100mph (160kmh) without difficulty, and there is hardly a hot hatchback that cannot manage 120mph (193kph).

The only roads on which this performance can be exploited legally are the West German *autobahnen* and then only on the traffic-free stretches, which become harder and harder to find.

One day the high-performance bubble must burst. But for the time being the 130mph-plus executive saloon and the 150mph-plus sports car are alive and selling well - and getting faster all the time.

Of all the new cars launched this year, none is more important for the future destiny of its maker than the Alfa Romeo Type 164. This large front-wheel-driven sports saloon represents Alfa's last chance to get into the profitable executive market with a vehicle that can stand close comparison with cars such as Mercedes and BMW.

It promises to do just that. Brief experience of the three litre V6 and the 2.4 litre turbo-diesel persuades me that the Type 164 is the best of the quartet of cars produced that shares some basic features and components. The others are the Saab 9000, Fiat Croma and Lancia Thema.

The Audi 90, with two litre or 2.2 litre five-cylinder engines and an option of quattro transmission with permanent four-wheel drive, is an outstanding package marred only by an inadequate boot.

With very low aerodynamic drag, the 90 quattro cruises economically on motorways and makes brisk driving on rain-slippery minor roads saferthan might have seemed possible a few years ago. Anti-lock (ABS) brakesare part of the rather costly package but the 90 typifies sensible high-technology motoring at its best.

Bentley, the sporty arm of Rolls-Royce, which is deliberately being distanced from its august parent while still making use of the same mechanical components, has an extraordinary car in the Turbo R. Despite its weight of 2.5 tonnes, its standing-start acceleration is better thanthat of all but a handful of super sports cars. The size, styling and interior appointment are those of a luxury limousine and it handles creditably, with a maximum speed, achieved in relative silence, of nearly 150mph.

Though Rolls-Royce cars still major on comfort, their handling and roadholding has recently been brought moreinto line with European rather than American tastes. BMW has been more active than most quality car makers this year with new models including the first V-12 to be made in Germany for half a century. The 750i saloon with its five litre, V-12 engine is arguably the best high-performing luxury saloon in the world at the present time.

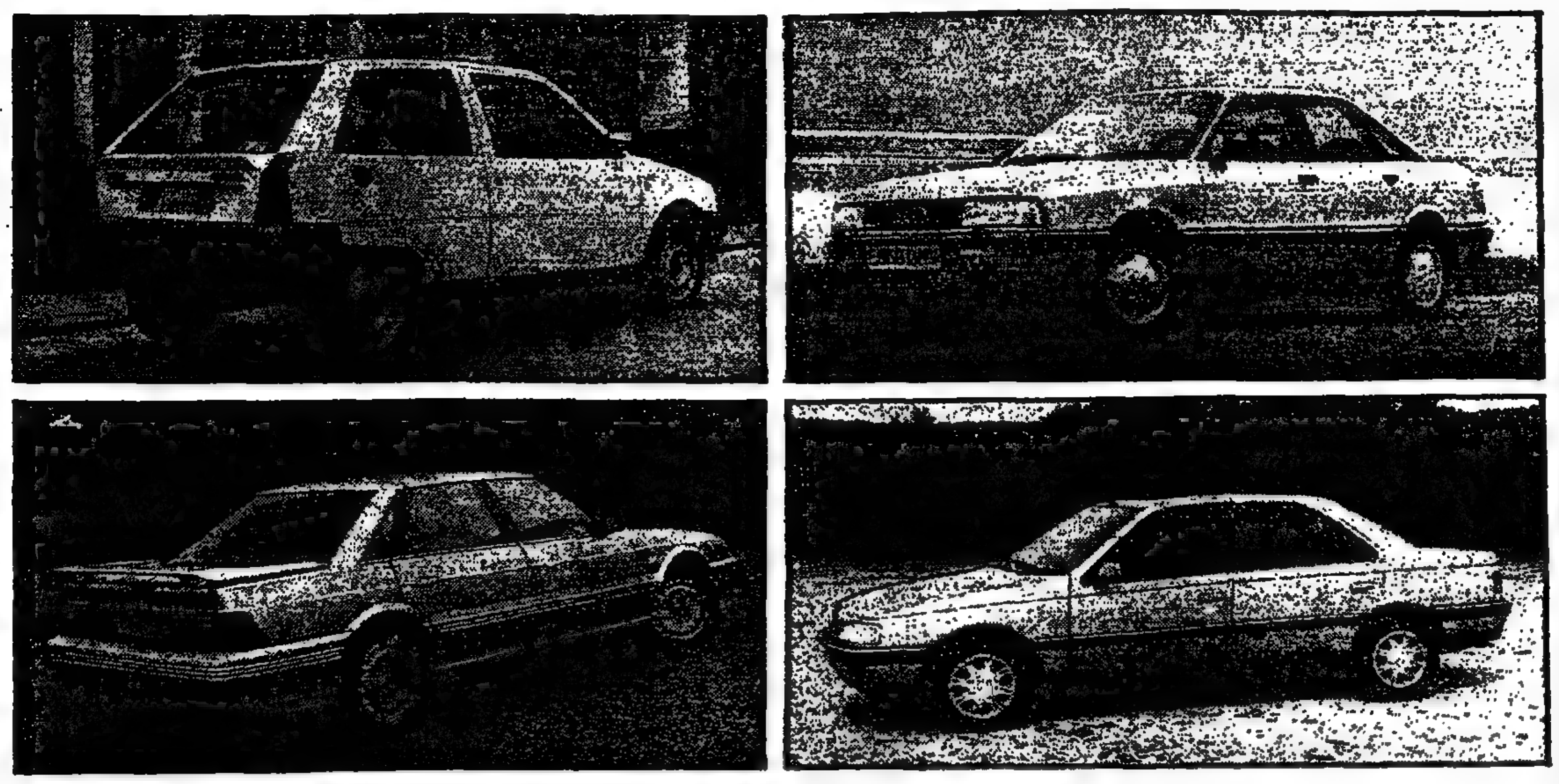
At this rarified level comparisons are more odious than usual but I rate the V-12 BMW's ride comfort and silence in the Jaguar class and superior to that of the Bentley R and Mercedes 560SEL, its closest domestic rival. Will BMW's decision physically - or rather electronically - to limit the 750i's maximum speed to 155mph when it would doover 160mph unrestrained start a trend?

Citroen's AX is the least idiosyncratic car of this marque since the Second World War and none the worse for it. Designed by computers to be made cheaply by robots, the AX is a conventional-looking, cross-engined, front-wheel driven hatchback in the super-mini class, but roomier inside than its competitors. It rides well and its light weight makes it among the most economical of cars.

Other Citroens of note introduced in the past model year include the BX19 GTi 16-valve, a four-door, 4/5 seater with family car comfort combined with hot hatchback performance. The BX19RD has dominated the UK diesel car market for months at a time this year. It is a remarkable turn-round for a make that was once considered too eccentric to be taken seriously by non-enthusiast drivers.

The appearance of the BMW 750i means that the Jaguar/Daimler monopoly of V-12 engines has been ended. The V-12 version of the new XJ-40 models is still some time away.

In mid-year Ferrari took the curious decision to offer a road-going car with a maximum speed of just over 200mph (320kmh) - for buyers with deep enough pockets. Critics consider that selling this kind ofperformance at a time when the influence of the Greens isgrowing may provoke an unwelcome response.



Top: the Citroen AX and, right, Audi Quattro; above left, the Rover 800, and right, Peugeot 405

Fiat's ageing minicar, the 126, has gained a new twin-cylinder water-cooled engine that may prolong its production life a little. Only inEastern Europe does a very basic car like the 126 now have much appeal. The Japanese do this kind of thing so much better.

The Uno Selecta with continuously-variable transmission (CVT) has been one of the more important introductions. Conceived by Van Doorne, of DAF cars, CVT has had a long gestation period but it works so well that it must extend two-pedal control to the broad base of the market.

The transmission is manufactured by Ford, which offers it in the Fiesta. It provides the convenience and ease of control of a conventional torque converter plus self-changing gearbox automatic transmission with economy to match that of manual transmission.

Ford filled a significant gap in its range early this year byintroducing a three-box version of its Sierra medium-size family car - and achieved instant success. Buyers expect small cars to have rear tailgates but in the medium to upper sizes, a boot is often preferred for reasons of appearance, security and ride quietness.

Having been the first high-volume maker to offer ABS anti-lock brakes as standard equipment on the Granada (Scorpio) range, Ford is now extending the safety advantgages of anti-lock braking to its smaller cars. Four-wheel drive, currently available on the Granada and Sierra, models raises the safetythreshold by making winter driving much simpler.

Lancia, too, has espoused four-wheel drive with no fewer than three different systems on offer. The little Y10 has selectable four-wheel drive which is adequate for users who need only to reach a ski chalet without putting on tyre chains.

But the Prisma and Delta have permanently-engaged systems, one with a viscous coupling as the centre differential, the other with a mechanical torque-sensing device. They are class rivals for the Audi quattro models.

On snowy roads I found they performed withspirit and great safety. Full-time 4x4 transmission will soon be offered on the Lancia Thema.

Land Rover's massive Range Rover is still the smartest off-road vehicle in which to be seen driving in Paris and Rome as well as Chelsea. The turbo-diesel engined version is a good and reasonably economical motorway cruiser.

It has sold well on mainland Europe though in Britain the fuel-injected V8 with full luxury specification appeals to buyers who may never exploit its formidable off-road capability.

Mercedes-Benz had been expected to launch its replacement for the SL sports car this year, but the only significantly new introduction from Stuttgart was the mid-sized coupe, based on the 200-300 range ofsaloons. Powered by 2.3 litre four cylinder, or three litre six-cylinder engines, the 230CE and 300CE are perhaps the most elegant cars to have thethree-pointed star on the radiator grille.

Mercedes has managed to squeeze a 2.6 litre six-cylinder engine into the 190 model, with great benefit to its top speed and flexibility and without detriment to its excellent handling. Even diesel car buyers now demand relatively high performance - hence the decision by Mercedes to introduce turbo-charged versions of the 190D 2.3 and 300D at the recent Frankfurt Show.

Nissan, now a British assembler of mainly imported components but soon to be a British manufacturer, has in the Bluebird a car to satisfy sensible demands rather than stimulate the senses. The British-assembled Bluebird range of saloons, hatchbacks and estates has achieved a reliability record to equal that of the Japanese-made product.

Opel - in Britain Vauxhall - has in the Senator a model to dent Ford's share of the large car market and at the same time be a lower-priced alternative to BMW and Mercedes. This six-cylinder, three litre saloon offers refinement and ride comfort to please the purely business user, with handling and roadholding to gratify drivers with sportier tastes.

The Peugeot 405, already a best seller in mainland Europe since its introduction in May, is now being made in Britain and reaches the UK market in right-hand drive in January. With a range of petrol engines for economy and performance-minded drivers alike - including a 1.9 litre 16-valve unit - the 405 will offer strong competition in the sector now dominated by Ford, Vauxhall and Austin Rover.

The current four-door saloon will be supplemented by an estate car, and optional diesel engines will be available early next year.

Porsche's all-wheel drive, twin turbocharged, six-speed 959 model has more high technology than any other supercar. The 924S is now powered by Porsche's own 2.5 litre four-cylinder instead of the 2-litre enginethat was bought in from Audi.

Renault, too, has made its bid for a share of the very highperformance market with a turbo-charged and intercooled version of the high-volume 21 saloon. It has ABS brakes and a high standard ofequipment.

Surprisingly quiet and refined on the road, it is very fast - about 135 mph - and shows great reserves of handling and roadholding on the circuit. Renault sees it competing with such cars as the BMW M3 and Mercedes 190E 2.3-16 on both performance and price.

Rover Group's 800 series executive saloons have become well-established in Britain and are beginning to make their mark in mainland Europe, too. Powered by British made two litre, 16-valve engines orJapanese-made Honda 2.5 litre V-6 units, they combine a classic andrather international exterior with the sober interior elegance at which Britain traditionally has excelled. A hatchback derivative appears at the Geneva Show next March.

Saab's 9000 is a good example of making an engine all things to all buyers. A four-cylinder two litre unit - it is Saab's only engine - powers each version of the 9000 with eight-valve or 16-valve cylinder heads, plusturbocharging and intercooling on the more powerful versions.

Volkswagen is also involved with 16-valve engines and its Syncro four-wheel drive system, first seen in the Transporter vehicles, is spreading into the cars. The system multiplies grip and transforms handling safety on snow and ice, but the price premium is considerable.

Volvo has at long last introduced an independent rear suspension forits 760 and 780 models to improve ride comfort. It incorporates self-levelling. But the biggest change for Volvo, seen in the Dutch-produced 480ES coupe, is a move to front-wheel drive. The replacement for the 300 series cars, expected soon, will also have front-wheel drive and a transverse engine.

Prestige takeovers

Finding joint benefits

WHY SHOULD the major US groups be showing such a substantial appetite for Europe's smaller car companies? Why should small companies with a prestige name and image wish to be absorbed by the industry giants?

The questions are particularly pertinent today because in the past year or so General Motors has acquired Lotus of the UK; Chrysler has bought Lamborghini and the right to control Maserati, both based in Italy.

And, most recently, Ford in the last month announced that it wanted to take controlling interests in two British companies, Aston Martin Lagonda and AC Cars.

In the past few years other small but well-known automotive companies have been absorbed by non-American organisations. In Britain, the Vickers engineering group acquired Rolls-Royce Motors. In Italy, Fiat took control of Ferrari.

Significantly, and certainly a sign of the times, the South Koreans have become involved and Ssanyong, Korea's seventh-largest industrial group, recently took control of Panther in the UK.

There are benefits for both sides in these deals. The major companies gain control of names to which great prestige and the right kind of image - be it up-market luxury or thoroughbred sporty - are attached.

It takes many years, even generations, to build up a superior image and reputation in the motor industry. There is even some doubt about whether it is possible any more for one of the major producers to develop a new up-market marque, although they have managed to do so in the past.

A successful up-market brand can produce profits much greater than the limited volume might suggest is possible because the cost of producing a large, luxury car is relatively little more than the cost of making a small, utilitarian one.

There is no doubt that Ford has been searching hard for a second, up-market brand to use in Europe. (In the US it uses the Lincoln-Mercury franchise to fill that role). Ford tried to buy both Alfa Romeo and Austin Rover (which owns MG, a name that still has a good image in the States as well as Europe), partly for this reason.

Ford failed in both those takeover attempts - although one day it might be invited by the UK government to have another look at Austin Rover - and has focused instead on Aston Martin and AC.

Now Ford must make sure it does not swamp Aston Martin so that the UK company loses the very attributes which Ford was searching so hard to find. This is the management challenge faced by all big car companies when they absorb small ones.

That lesson was painfully learned in the past by, for example, Fiat which took some years to establish the right kind of relationship between Fiat cars and up-market Lancia models after the acquisition of Lancia. Volkswagen had the same initial difficulties with Audi.

Both Fiat and VW at first pulled their prestige subsidiaries too close to their volume operations and suffered financially for that mistake.

Today Lancia (recently merged with Alfa Romeo) and Audi are run as separate organisations with separate dealer networks in most countries in which they are sold. In the best deals, all the parties involved feel they have gained something.

Certainly the small car producers involved gain a great deal by moving under a giant's umbrella.

To start with, in spite of the prestige and glamour attached to their names, most of the smaller companies have been on a financial knife-edge and only marginally profitable even if they are in the black.

Having a big brother in the background certainly gives the bank manager comfort and enables a small company to make its forward plans with more certainty.

By plugging in to the major company's purchasing operations, the small one should also be able to cut material and components costs. More importantly, its suppliers should take it more seriously.

Small companies complain bitterly about delivery delays and poor quality of components from outside suppliers but it is an unfortunate fact that suppliers - which in the motor industry are generally much bigger organisations than the low-volume car companies - tend to put low-volume, marginally-profitable customers at the bottom of their list of priorities.

The other element which has hastened the end of independence for many of the small companies is the accelerating pace in which new technology, particularly that based on electronics, is being introduced to cars.

There is no way the small companies can compete with the enormous research and development effort being made today by the major groups to speed the new technology into their cars. By moving under the large group's umbrella, the small company can benefit, however.

There is another aspect to the advance of technology which is equally threatening to the small companies - the change in the pace at which they have to introduce new models. It used to be possible for a producer of limited numbers of up-market luxury cars or sports cars to wait perhaps 15 years before making major changes to any model.

This gave the producer time to amortise the development costs and to cover the cost of expensive tooling.

But to prevent being overtaken by the new technology being rushed into the "average" family car, the up-market producers will in future have to up-date their models much more frequently.

At a time when relatively inexpensive small cars are extensively tested in wind tunnels to make them aerodynamically near-perfect; are run millions of miles round test tracks to ensure they behave with impeccable manners when treated badly by poor drivers; are taken to the North Pole and the middle of the Nevada desert to make sure they can cope with extremes of cold and heat and then are offered to customers complete with opening roofs, electric windows, anti-skid braking and so on, the small up-market car makers have to work much harder to convince potential customers that their models might be expensive but represent good value for money and are also better than those turned out by the million.

The pressures on the small car companies have never been greater and, as Mr Victor Gauntlett, chairman, chief executive and part-owner of Aston Martin Lagonda, says: "There is no longer any room in this (automotive) business, however small your company might be, for well-meaning amateurs."

Kenneth Gooding

Labour relations

Managers gearing shopfloor to an era of change

"WE HAVE made a good start on the foothills, but we still have a long climb ahead." This is how Mr John Hougham, head of industrial relations at Ford UK, sums up the change in industrial relations at the company over the past five years. It is a comment that most British car manufacturers would endorse.

The past few years have seen enormous change in the working practices, organisation, management style and collective bargaining of British car companies. The days when changes to the speed of the line, the movement of workers from one part of a factory to another were fraught with difficulties have gone.

But are the changes instituted in the last few years enough to narrow the cost and quality gap between the British industry and its foreign competitors? Has the new industrial relations in the car industry really become ingrained, or will the new confidence among car motor manufacturers such as Ford evaporate as they struggle to maintain momentum?

The pressures for change in the British industry mirror those on European and American producers. The rise of the Japanese industry, the recession of the early 1980s demanded a fundamental reappraisal of the way the companies conducted their businesses.

The competitive pressure was highlighted in the UK by the arrival of Nissan, the Japanese manufacturer, at its production site in the North East. Ford calculated that the streamlined working practices and more efficient production methods employed by Nissan would give it a cost advantage of about £250 per car. But all the car manufacturers say that Nissan's arrival was merely the emblem for more widespread changes.

Mr Hougham explains: "We had our own internal company comparisons, which showed that productivity at Halewood was 100 per cent adrift of that of similar plants producing the same product in West Germany."

Mr Mike Judge, industrial relations director at Peugeot Talbot, concurs. In 1980 the company's Ryton plant near Coventry was 30 per cent less efficient than its French plants, and it achieved only 85 per cent of its scheduled production.

The pressure of recession and foreign competition fed a longstanding unease in the industry. Mr Judge comments: "Change has been fuelled by a kind of collective guilt about how we did business in the 1970s. Everyone knew it could not go on."

Mr David Young, his counterpart at Vauxhall Motors, the General Motors volume car division, has a similar message: "A lot of the problem was with management. We went for production at any cost rather than paying attention to all aspects of the business. When we started looking, we unearthed lots of jobs which should never have been there."

British makers are now matching other European factories

All the companies have pursued similar themes in their rationalisation. Manpower has been reduced sigificantly; more flexible working practices have been introduced on the shopfloor to accompany the introduction of new technology.

This is most graphically illustrated by Ford which, in its two-year agreement with the car industry union in 1985, reduced the number of job demarcations from 500 to 58. Shopfloor operatives are now expected to be mobile around the plant, to take on jobs such as fork lift truck driving, as well as some quality control, maintenance and housekeeping of their work stations.

Similarly, demarcations between skilled workers have gradually been eroded. Most companies now operate two or three types of skilled craftsmen, with complete mobility within a skill.

The growing importance of multi-skilled, flexible, more capable shopfloor workers has had consequences for other aspects of the organisations. Most companies have made moves to harmonise the conditions of white collar and blue collar workers.

Peugeot Talbot and the state-owned Austin Rover Group have perhaps gone furthest along this road. Mr Norman Haslam, industrial relations director at ARG, says: "You cannot expect second-class employees to built first-class cars."

All the companies are also introducing changes to their style of management, both by involving employees more in the businesses, but also by changing the role of shopfloor supervisors.

These changes have produced impressive productivity gains. Peugeot Talbot has closed the productivity gap with the French factory, and the cost of faults has been reduced by 50 per cent. At Austin Rover, productivity is about 125 per cent higher than in 1979.

These changes have been facilitated by a number of changes in the conduct of industrial relations. Mr Jimmy Airlie, the Amalgamated Engineering Union official responsible for Ford, explains: "The companies have understood that they will catch more flies with honey than with vinegar."

Part of the honey has been a set of reasonable pay deals which have paved the way for change. But all the companies believe that their vastly-improved communciations systems have laid the bedrock for employees accepting the need for change.

Peugeot Talbot says its surveys show that 80 per cent of its workers now believe what the company says, compared with a low proportion in the early 1980s. "We now rarely have an argument about facts," Mr Judge says.

Mr Young at Vauxhall echoes this theme: "The unions will only push an issue when they have the backing of the membership. The changes to require unions to have ballots before strikes have made a big difference. But if companies can communicate directly with their employees this sets the backdrop for unions and makes it more difficult for them to stoke up anger."

The results at Peugeot Talbot have been dramatic. Since 1979 there has been no major dispute which has lost production.

The more open communications have gone along with a greater managerial assertiveness. Mr Haslam at Austin Rover says: "We just abdicated responsibility before for passing information to workers. We left that to the shop stewards."

The unions have also changed in their approach, Mr Airlie says. Union officials now talk about the need for competitiveness, profit and change. The principle that change will happen is rarely disputed.

Nevertheless, there are still hard bargains to be struck. The introduction of new working practices at General Motors' troubled van plant at Luton was achieved only after months of arduous negotiation and repeated threats of closure. Manual and white collar unions at Ford are resisting changes which have been introduced in the company's European operations.

This does not mean that the unions have become company unions. Mr Young at Vauxhall says it will always be management's responsibility to ensure no agreement is signed which the business cannot afford, and never the union's task to do that. But the unions and management have developed a way of doing business which allows for change through negotiation.

Few car companies plan to introduce entirely multi- skilled craftsmen. Mr Haslam at Austin Rover explains: "We will still need specialistss; multi skilling and flexiblity are not Holy Grails."

At Jaguar, there is considerable debate within the company over whether to move towards flexibility and a multi-skilled workforce at all. Many in the company believe that the productivity gains of the future will come from supervisors, being trained to organise the work of specialists much more efficiently.

The emerging role of supervisors is a consistent theme. All companies talk of wanting to turn them into mini-managers rather than sergeant majors. Mr Judge at Peugeot Talbot says: "They will be absolutely key to future efficiency. We want to turn them into mini-managers with responsiblity for production decisions, costs, local industrial relations, store and inventory. Production control, quality control, engineering, will in future be departments serving the supervisors rather than the other way round."

This implies enormous changes in the authority and management structures of companies which few have yet grasped, according to Mr Paul Talbot, the union official representing supervisors in ASTMS, the white collar union. "They talk about making them managers, what about paying them as managers, and treating them as managers."

The unions are also developing their agenda for what they want from flexibility and change. Unlike the West German unions which have targetted cuts in working hours, or the American United Automboile Workers, which has just won a job security agreement with Ford, the British unions seem to lack a strategic goal.

Mr Talbot says: "We are looking for job security, built up over time. Job security means many things but at the end of the day it means planning manpower needs more accurately so people are not laid off because of temporary downturns, and manufacturing more in the UK."

Charles Leadbeater

Pollution controls

Brussels deadlock loosens

THANKS TO the Single European Act, introduced earlier this year, the road to reducing the level of pollutants emitted by cars in Western Europe can be seen more clearly.

EC politicians and officials, who used the Act in July to restart the legislative vehicle for reducing emissions which had been stalled for two years, can still see some potholes ahead.

But at least the Act, under which EC decisions can be taken in some areas on a majority rather than, as previously, unanimous vote, has permitted Environment Ministers to loosen the deadlock which had existed since 1985 over an EC Commission Draft Directive setting out the proposed stricter new exhaust standards.

They agreed that the limits on the permissible amounts of nitrogen oxides, carbon monoxide and hydrocarbons can be applied to new model cars of over two litres starting next October 1; to current model cars of over two litres on October 1,1989; to cars of 1.4 to two litres between 1991 and 1993, and to sub-1.4 litre cars between 1990 and 1991.

"Can" is the operative word. For the compromise reached by the Ministers at their Council meeting in July allows individual EC states to introduce the stricter standards; it does not compel them to do so.

Until that meeting, and under the old "unanimity" rules, Denmark had been firmly vetoing the proposed standards first set out in a 1985 European Commission Draft Directive on the grounds that they were not strict enough.

Now, having allowed itself to be outvoted, it is expected to apply later to impose yet tougher standards within its own borders. That may be possible, but only in the by no means certain event that its EC partners do not consider such a move to amount to a hidden trade barrier.

Denmark wants standards similar to those of Switzerland, Austria, Sweden and Norway, all of which have adopted US-style emissions limits. These are considerably more strict than those contained in the EC directive.

West Germany, whose forests like those of Scandinavia have been damaged by acid rain - to which exhaust emissions are a contributor - also fought long and hard for tougher standards. But it has settled grudgingly for a compromise under which it is offering tax and other incentives to West German motorists who voluntarily buy really "clean" cars fitted with catalytic converters.

Other states are expected to adopt the forthcoming EC limits with varying degrees of enthusiasm. France, Italy and the UK have been relatively lukewarm to aspects of them, and the extent to which they are adopted is likely to depend very much on the ease and cost with which the standards can be met by their respective motor industries.

Cleaning up Europe's cars

EC emissions standards and timetable

Capacity	Date applicable new model	new car	Emission levels (grammes/test)
Over 2 litre	1.10.88	1.10.89	CO:25 HC+NOX:6.5 NOX:3.5
1.4-2 litre	1.10.91	1.10.93	CO:30 HC+NOX:8
Under 1.4 litre	1.10.90	1.10.91	CO:45 HC+NOX:15

However, the battle within the EC itself may not yet be over. This is because the Act provides for majority decisions taken by the Council of Ministers to be referred back to the EC Parliament, which has previously favoured stricter standards than those proposed. The Parliament's view on the issue should become known over the next few weeks.

If it again backs stricter standards, and gains the support of the Commission whose existing draft directive was a very grudgingly-reached compromise anyway, the Ministers would then have to decide whether or not to change the package, opening the way to yet further delays.

France, Italy and the UK would be likely to react strongly against any attempts to bring in US-style standards, primarily for the reason that these would require the fitting on all cars of catalytic converters and probably fuel-injection systems rather than simple carburettors on the cheapest cars.

A number of other issues remain unresolved. For example, a revised driving cycle over which the proposed standards should be measured has yet to be agreed, although this could arrive by the end of the year. The existing test simulates mainly urban, low-speed driving; the average throughout the test is, in fact, only just under 30 kilometres an hour.

A revised cycle is intended to take better account of autobahn-type roads, since emissions of pollutants tend to rise with speed, but are most evident under hard acceleration). Ironically, in the light of all the delays, the terms of the 1985 draft directive also provide for Ministers to decide before the end of the year whether a second stage should be introduced, later in the 1990s, tightening the standards for under 1.4 litre cars. The standards currently proposed for this sector are the least onerous of the three engine capacity categories and require manufacturers to make few changes even on existing models to meet them. Meanwhile, although standards have been agreed to reduce diesel exhaust emissions from trucks and buses, there is as yet only agreement in principle on reducing those from a burgeoning European population of diesel cars.

Yet another issue weighing on the entire emissions debate is that of lead in petrol. Accepting that the tetra ethyl lead the oil industry adds to petrol to inhibit engine knock is a health hazard in its own right, the motor industry is working towards making all new cars capable of running on unleaded petrol by October 1989, by which time it is intended that unleaded petrol will be available throughout the EC.

Indeed, there are already more than 300 petrol stations offering unleaded fuel in the UK, which has been one of the European laggards in its introduction. But making cars capable of running on unleaded fuel isrelatively easily done (and in some cases involves only changes to ignition timing) and is far removed from *having* to run on unleaded fuel, which is the case with the catalytic converters which, it is universally accepted, are the most efficient means of all of cleaning up emissions.

There is a motor industry consensus that, in those countries which decide to implement it, the proposed standard for over two litre cars will require full, electronically-controlled catalyst systems adding about £400 to the price of the car.

Apart from fuel availability (lead in petrol coats the catalyst surface, rendering it inoperative) this presents few problems for anyone: the on-cost is small as a proportion of the total price of what is almost certain to be an executiveclass car

Most manufacturers have tooled up for "cat" versions of them anyway, in order to gain access to the world's most lucrative executive car market, the US; and the reduced performance imposed by catalytic converters, of the order of 2 to 4 per cent in top speed, acceleration and fuel economy, is unlikely to be noticed by the vast majority of motorists. Things become more complicated in the 1.4 to two litre category.

Most manufacturers hope to be able to meet the standards on some at least of the cars in this range by fitting engines using "leanburn" technology, in which very weak fuel mixtures can be burned.

Lean burn technology also has the benefit of allowing continuing developments to improve fuel economy, which catalytic convertor systems actually inhibit.

Lean burn engines, perhaps in conjunction with a simple oxidation catalyst, might be sufficient on those cars least likely to meet the standard: largeish saloons with relatively small engines which have to work hard to move the car and thus produce disproportionately high levels of pollutants.

Other technical breakthroughs cannot be ruled out. For example, AE Developments, the UK engine components and combustion research subsidiary of Turner & Newall, has substantially completed development of a new type of piston invented by Sonex of the US, which is claimed to have complied with the new standards with ease. Negotiations on its production are under way with several manufacturers.

Under 1.4 litre cars wil be able to meet the proposed standards with ease, in most cases involving little more than adjustments to the ignition or compression ratio.

Meanwhile, debate on the issue has been heightened by other vested interests fearful of seeing big market opportunities slip away. For example the Automobile Emissions Control by Catalyst grouping, with members like Johnson Matthey, Europe's largest catalyst producer, has become increasingly anxious to debunk what it says are the performance and cost "myths" about catalysts.

The uncertainty which has surrounded the whole emissions debate for so long has been bitterly assailed by some of the manufacturers. For example, Dr Ulrich Seiffert, head of research at Volkswagen, said earlier this year that the EC had created a "disastrous" situation for Europe's motor industry by failing to provide clear-cut guidelines.

And, presenting Brussels with another potentially severe headache for the future, he warned that none of the standards took account of carbon dioxide emissions. To these are attributed the "greenhouse" effect of warming up the atmosphere.

"It is accumulating and we simply don't know what it's going to do to our world," Dr Seiffert said.

John Griffiths

IT WAS THE FIRST TIME I'D BEEN THE SUBJECT OF A TAKEOVER BID.

For years and a succession of cars, the MD had been content for me to drive him everywhere. Until this new Rover Sterling rekindled his interest in driving. At first I only knew it from the speedo trip meter but the morning of the Brussels meeting there was no escaping that he'd had the car out the night before. The driver's seat was higher than I like it, the car surveillance computer was on metric, the seat heating button was depressed. This was not carelessness, he's too meticulous. He was up to something.

I watched him in the rear vision mirror, settling down in the back. "Very convenient" I said as the seat automatically returned to my set position, "that the door mirror positions are also kept in the memory."

The old fox pretended he didn't hear. "And just as well" I continued as we pulled away, "that the seat heater has a timed cut-off to save the battery, isn't it?" That brought a smile.

He pressed his rear seat recline button and passed me a new tape. Ligetti! I switched all the sound to the rear four speakers and left him to it. I have to hand it to the boss for buying the Rover, it's great to be driving British again. 'Leather seats and walnut panelling; redolent of fine malt' the MD once remarked. But what impresses me more is the handling. The electronically injected 2.5 V6 whispered over the Downs as if they weren't there. I like its firm ride. With speed-variable power steering, it feels more like a coupé than a saloon. And I was never more thankful for ABS than when we got cut up on the motorway approach by some maniac salesman. At which point the MD joined the fray by announcing "You can leave the car at the airport, I'd like to drive home myself tonight."

He'd come clean at last. This tendency had to be scotched. "So you'll be tee-total today, sir? No lunch at Le Cygne, no celebrating the deal? Very wise if you're going to drive, sir."

He paused. "Perhaps I was a little hasty."

"Mineral water isn't quite the same." I suggested. "Quite."

"So I'll drive as usual." "Quite."

Production technology

Close to true automation

AT THE END of September, Austin Rover, the UK State-owned car maker, gave journalists their first look at new manufacturing facilities at the Longbridge plant, near Birmingham where, within two years, it will start producing the R8 (Rover) and YY (Honda) medium car ranges that are being developed jointly with its Japanese partner.

Austin Rover has invested about £600m in its manufacturing technology since the start of the 1980s, and expects to spend at least a similar amount by the early to mid-1990s.

Such sums are not large by the standards of multi-nationals like General Motors or Ford. And since the arrival of Mr Graham Day, the former British Shipbuilders boss, as Rover Group's chairman last year, there has been a much-diminished tendency to make strident claims about the company's vehicles or manufacturing processes always being right at the motor industry's cutting edge.

Yet its director of manufacturing operations, Mr Andy Barr, was able to demonstrate both a number of areas where the UK company has become very much "state of the art" and just how rapidly computer-integrated manufacturing is changing the shape not just of Austin Rover, but the industry overall.

Mr Barr made clear that Austin Rover is now advancing fairly rapidly towards "lights out" manufacturing (all-night production without supervision) of complex components and sub-assemblies, some within a year or so.

The 9m flexible manufacturing facility shown to journalists indicates just how close it is already. The plant is making 600 complex cylinder heads a week (for the Rover 800's M16 engine and a diesel), fully assembled with their valve gear, with just eight operators per shift.

Although this was not spelt out categorically, it is a clear forerunner of much higher volume facilities to produce major components of the future, such as Austin Rover's forthcoming K-series engine to power the Metro replacement and the R8. At least 5,000 such engines are scheduled for production each week starting in spring 1989.

Mr Barr says: "The flexible manufacturing facility has given us the opportunity to see if we could crack the technology for a totally 'lights out' round-the-clock operation, with the staff able to switch the lights off, go home and leave the machines to get on with the work.

"We have learnt a great deal and we believe that we are very close to that."

A short distance away, within what Mr Barr himself describes as the company's high technology centre, the company is producing prototype machined components of almost any variety in 25 per cent of the old technology time and at one quarter of its cost. A cylinder head, for example, could be designed on-screen, entered in the company's master database and produced within a few hours inside the technical centre by multi-axis machining equipment working off the common database.

However, this is all complementary to the really key intelligent systems now flowing into the company, Mr Barr says. These comprise the 100-plus graduates a year now being taken on, bringing Austin Rover's total to 700 compared with 130 ten years ago when it had twice as many employees.

"It is essential to raise the intellectual base of the company," he observes, "and we expect to take on 100 more graduates a year for the forseeable future.

What amounts to a manufacturing technology revolution has been sweeping all through the industry. Fiat's "Fire" (fully-integrated robotised engine) is among the most advanced on the way towards fully "lights out" engine production, while Japanese manufacturers such as Nissan have been achieving "lights out" production of major components for some time.

The last big challenge for the industry is how to automate final assembly, with all its problems in the form of fitting soft trim, seating and so on. The solution, according to most manufacturers, lies in assembly of the car in modules with, for example, the inner floor, complete with seats, assembled well away from the production lines and dropped into place on the vehicle as a unit prior to installation of the roof.

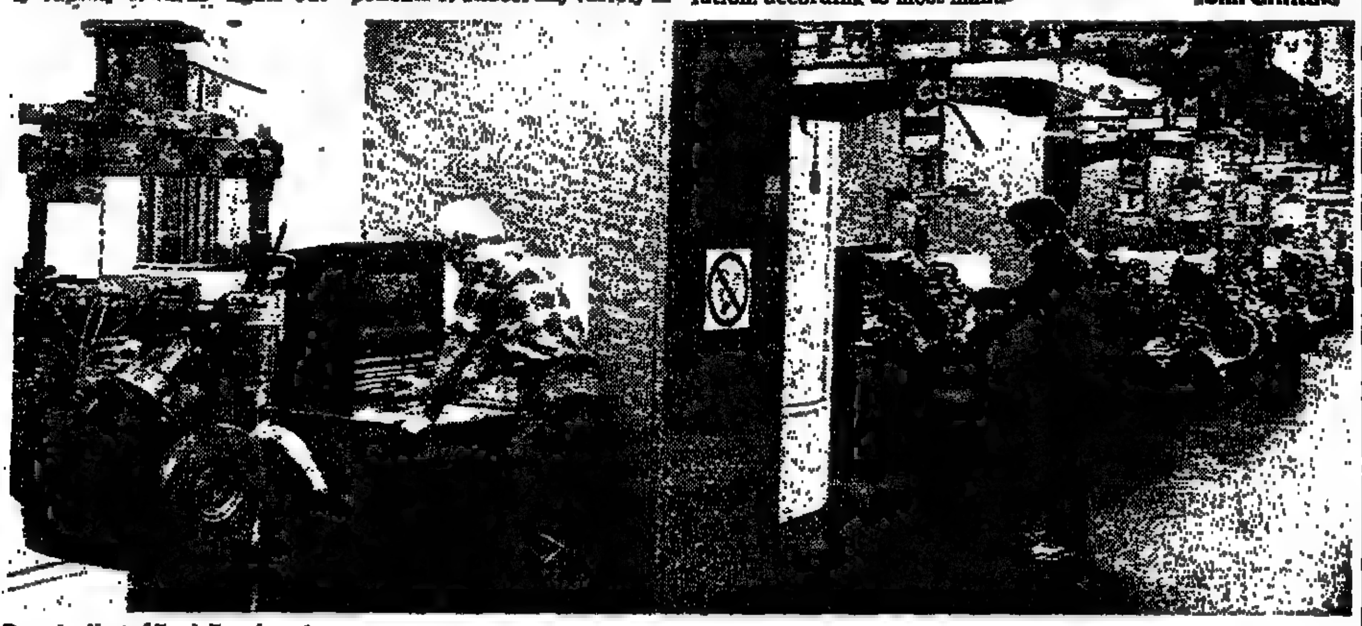
The revolution is also spreading, as a matter of necessity, to component suppliers who, vehicle manufacturers agree, have no prospect of surviving in the industry without computerised design and engineering systems capable of being plugged directly into the vehicle makers' own design systems.

That is no more than it should be, suggests Mr Paul Craig, director of Garrett Automotive, the subsidiary of Allied Signal group of the US which produces half the world's turbochargers.

Integrated and flexible design and manufacturing has allowed Garrett, for example, to cut the design to ready-for-manufacture time for a new turbocharger to a few days, and any modification time to a few hours.

And it has allowed Garrett to adopt a new manufacturing approach: of producing turbos in small numbers to a customer's precise requirements rather than trying to maximise the volume of one standard design over as many applications as possible.

John Griffiths



Dyno testing of Ford diesel engines

Ford's Eltec concept car has a range of 'intelligent systems'

Innovation is bringing more 'intelligence', says **John Griffiths**

The car that will think

INNOVATIONS, usually electronically-controlled, have been introduced to the car thick and fast over the past several years: anti-skid braking, traction control (to prevent skidding under acceleration), and more recently four-wheel steering, to name but a few.

Yet as Mr Mike Westbrook of Ford has been pointing out with some regularity in the past few weeks, even these can be viewed as independent processes operating separating in a car. Coming over the horizon, he observes, is something more ambitious altogether: the "intelligent" car.

"What we're looking towards is total control over the whole driving process, from the piston to the wheels," says Mr Westbrook, who is manager of technological research at Ford's UK research and engineering centre.

The intelligent car concept "will revolutionise driving. It's a scientific revolution that we will all see come about, and from which we will all benefit."

The message is being put over by Mr Westbrook and four senior colleagues, on behalf of Ford, in the course of giving the current Faraday lecture series organised by the UK's Institution of Electrical Engineers.

However, Ford's stated view of the car of the future is shared virtually throughout the motor industry, and differs from other manufacturers only in the detail.

The intelligent car, it is envisaged, will result from putting together all the individual systems within the vehicle under the control of a central computer "brain."

Electronics, by Ford's estimates, already average between 10 and 15 per cent of the manufacturing cost of a car and the percentage will continue to rise as the intelligent car draws nearer.

Some of the "building blocks" in the process are easily identified:

A pioneering use of in-car electronics was in engine management. Now, most modern cars have an electronic "map" containing thousands of datum points dictating ignition timing, fuel-injection duration and other parameters to achieve maximum operating efficency.

Subsequently, electronically-controlled automatic four-speed transmissions were introduced by companies such as Mercedes and BMW with driver-selected "sport" or "economy settings." Although the engine and transmission controls could not be fully integrated, clearly the electronically-controlled power train was coming into sight.

It has been brought closer, albeit indirectly, during the past year by production beginning - after many difficulties - of continuously-variable transmissions. These, operated by pulleys and steel belts and providing a virtually infinite number of ratios, have also arrived - in Ford's Fiesta, Fiat's Uno and a Subaru model.

And while they are as yet hydraulically-operated, the next step is for them to be electronically controlled. That, says Ford, will bring to reality the fully interactive power train in which engine and transmission continuously "talk" to each other and decide optimum engine revs and gearing for changing conditions and the driver's use of the accelerator. The "sport" and "economy" options would also be incorporated.

The potential add-ons to such arrangements are limited only by engineering ingenuity. For example, manufacturers already have exhaust emission-reducing systems in which a sensor measures the composition of exhaust gases and sends the information to the engine management system. Using this information, the "management" modifies ignition timing, fuel injection and other factors to minimise emissions.

The snag here is that the management system is only theorising about what should be done to reduce emissions, based on the exhaust readouts. But if another sensor is placed inside the combustion chamber to feed back what is actually happening when the mixture fires, the management computer can compare both sets of data. Thus it can "learn" what is *really* happening, and make the best adjustments to suit. In the Faraday lecture, Ford provides some practical illustrations of how this basic learning capability can be applied. For example, using that same acquired knowledge relating to emissions, the engine would be able to recognise that it was being fed very poor-quality fuel, perhaps while being driven outside Europe, and automatically retard the ignition to allow the the engine to run without being damaged.

Anti-skid braking systems, "active" suspension and even "active" steering (with the driver's steering wheel linked to a computer, not the wheels) and other innovations are all obvious functions for control by a central computer "brain." A crucial element, however, is the linkage between central computer and the individual systems requiring control. The task of creating a viable, cost-effective system to work adequately within the hostile environment of the car presented a major challenge to both motor and electronic industries for almost a decade.

The answer, multiplex wiring, is coming into limited use among some executive car makers such as Jaguar, BMW and Mercedes. But it is widely expected that the "intelligent" car in the fullest sense referred to by Ford will not begin to become available from even the most advanced manufacturers until the early 1990s.

A multiplex circuit can be compared to an electric ring main, with just one wire along which electronic signals are both sent and received between the central computer and the switches, sensors and control systems to which it is linked. Even without its intelligence-communicating advantages, the weight saving compared with a conventional electric wiring loom is virtually worth the development cost for motor manufacturers.

However, the car's intelligence is not expected to be confined to its own internal workings. External factors, such as the car being able to maintain its postion on the road at a safe distance from other vehicles or other potentially painful parts of the scenery - by means of sonar or radar - are also likely to feature.

And while the 13 European car manufacturers, EC officials and others involved in a pan-European traffic safety programme named "Prometheus" are understandably a mite reticent in advocating it, this could mean a system which overrides the driver's judgment of what represents a safe distance and automatically reduces the engine power or applies the brakes. Privately, those involved with Prometheus, which is intended to halve Europe's 50,000 road deaths a year by the turn of the century, point to multiple shunts on motorways as providing one obvious justification.

Within the Prometheus project traffic guidance systems are being developed which would see their best use made by the intelligent car of the future. Transmitter/receivers within cars and mounted on traffic lights or other features at road junctions (the latter all connected by inductive loops to a central computer) would provide information about where the car is at any time.

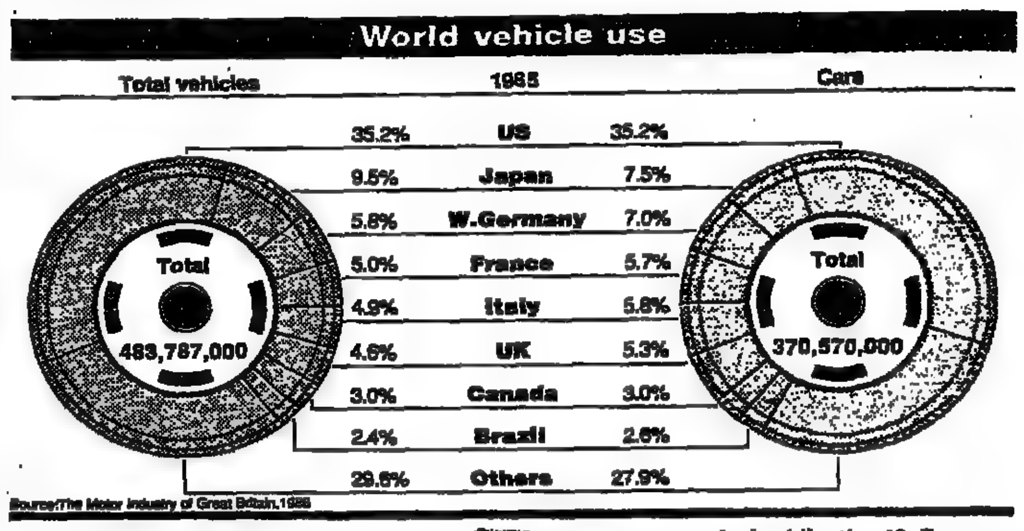
The car could identify itself to the system and tell it precisely where it wanted to go. At each junction it would be kept on its route.

The car's system would relay to the driver only essential information, such as when and where to turn, in order to minimise distraction from watching the road.

Although initial costs make it certain that the intelligent car will arrive first from executive and luxury car producers such as Mercedes, which has purchased several major high-tech concerns within West Germany to provide ready access to the technology, General Motors, Volkswagen, Ford and many other volume producers are predicting that most, if not all, of the advanced electronic systems that are currently envisaged will become available to the majority of car buyers well before the end of the century.

John Griffiths

World vehicle use



Total vehicles	1985	Cars
35.2%	US	35.2%
9.5%	Japan	7.5%
5.8%	W.Germany	7.0%
5.0%	France	5.7%
4.9%	Italy	5.8%
4.6%	UK	5.3%
3.0%	Canada	3.0%
2.4%	Brazil	2.6%
29.6%	Others	27.9%

Source: The Motor Industry of Great Britain, 1986

Mike Westbrook: all will benefit

Another approach to the future car. The Renault Vesta 2, developed over four years, provides seating for four in a lightweight vehicle whose engine is capable of 100mpg petrol consumption. Advanced fuel economy provided by lightweight materials and 'leaner' engines, plus intelligent systems, are likely to be the hallmark of cars in the 1990s.

Accountancy Appointments

Operational Internal Audit

Career Opportunities

In Lonrho the Group Internal Audit Department represents a proven route to a management position. Initial appointments, one in London, and the other, a new operational post in Nairobi, are for a period of two to three years.

The Department is responsible for carrying out management control systems reviews into all aspects of the Group's autonomous operating companies' activities in the U.K. and overseas. The appointments are highly visible and there is frequent contact at director level.

Starting salary is based on age and experience and there is an excellent range of benefits including a company car. Candidates are likely to be in the age group 26 - 35, qualified accountants, and have at least 18 months post-qualifying experience.

Please apply with full career/personal details, quoting reference No. V.405, to:

The Group Personnel Manager,
LONRHO Plc
Cheapside House,
138 Cheapside, London EC2V 6BL

Corporate Recovery/Insolvency

All Professional Grades

Reading **£ excellent**

Since its opening eighteen months ago our Reading Office has gone from strength to strength. The Corporate Recovery/Insolvency Department continues to attract a variety of work in the Thames Valley area and internationally, and the resultant growth in the Department has created further vacancies.

We are looking for insolvency administrators who have at least twelve months experience in Corporate Recovery or Insolvency. Ideally, those we appoint will have an accountancy qualification, preferably ACA, CACA, or MIPA and relevant experience in a major accountancy practice.

We are offering a competitive package and excellent promotion prospects. Benefits include life assurance, pension scheme and where appropriate relocation assistance.

Applications to: Mr. Vivian Bairstow, Partner, Arthur Young, Kings Court, 185 Kings Road, Reading, Berkshire RG1 4EX. Telephone Reading (0734) 593171.

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

VAT AND CUSTOMS DUTY CONSULTANTS

London — Attractive remuneration package

Ernst & Whinney is a highly successful expanding accounting firm, committed to the provision of first-rate client service. Our clients range from blue chip multi-nationals to local businesses, and their needs encompass the entire VAT and Customs duty spectrum.

Currently we are seeking high calibre consultants to deal with the exceptional new demands arising in VAT and Customs duty related work. Successful candidates must possess extensive practical knowledge in order to provide the breadth of service required and, for one position, relevant legal experience would be advantageous.

Rewards for success will be high, with excellent career prospects. An attractive remuneration package will include a car for senior appointments.

Please send a brief curriculum vitae to
Barry Compton, Ernst & Whinney,
Becket House, 1 Lambeth Palace Rd.,
London SE1 7EU.

Ernst & Whinney
Accountants, Advisers, Consultants

MANAGER, COMPLIANCE AND PROCEDURES

City — to £40,000+full banking benefits

Our banking client's London Branch has played a prominent role in the development of its international business for more than twenty years. A committed pursuit of new business opportunities has led to its activities spanning a very full range of international banking services. To enable it to stay at the forefront in developing its services to customers, it has decided to strengthen the administrative support currently backing its market activities with the creation of this new appointment.

The Manager, Compliance and Procedures will be responsible for the review, revision and development of all administrative procedures and systems, with responsibility for keeping the Branch aware of all regulatory requirements, developing a *Procedures Manual* and monitoring its observance, meeting the needs of internal control and reporting to regulatory authorities.

Applicants should be AIBs, with a minimum of 10 years experience of bank accounting/auditing and considerable experience in developing and implementing control procedures. Communication skills and the ability to win acceptance of an innovatory activity which controls as well as supports business activities are pre-requisites. The salary will be negotiable to £40,000, and the package will include an attractive range of benefits.

Please send career details in the first instance to Mike Blanckenhagen, naming any City institutions to whom they should not be disclosed, *quoting reference T4022.*

KPMG Peat Marwick McLintock
Executive Selection and Search
9 Creed Lane, London EC4V 5BR

Finance Manager

East Midlands — **circa £25K plus car and benefits**

This highly successful, expanding £5m turnover, electronic systems company needs a high calibre Finance Manager to control its developing management information needs.

Reporting direct to the Joint Managing Directors, the position demands a personable 34-40 year old, qualified accountant, preferably a graduate, experienced in the implementation of accurate, timely and appropriate management information systems in a challenging environment.

Candidates will be expected to be commercial in outlook, as a major aspect of the role will be the interpretation, explanation and use of the financial information for the benefit of his/her colleagues in the management team. A personal interest in computers would be an advantage.

This is a role for an ambitious and capable individual and will provide well rewarded career development opportunities for the right person.

Applications are welcomed from men and women.

Please apply in writing, enclosing comprehensive cv and details of salary progression, to John Elliott FCA, Director, Overton Management Selection, Monaco House, Bristol Street, Birmingham, B5 7AS, quoting reference 11/1646.

OVERTON MANAGEMENT SELECTION

Assistant Vice President

Audit

Central London — **c. £32,000 + Car + Banking bens**

Our client, the UK subsidiary of a leading U.S. financial institution, is looking to recruit an Assistant Vice President within their Internal Audit area.

Responsibilities will include the management of a team in carrying out systems based audits and other audit services, planning assignments, monitoring audit workflows and providing training and instruction.

The successful candidate will either have reached manager level within a major professional firm, or will have gained post qualification experience in an audit role within a financial institution.

Probably aged 27-33 you will possess first rate communication skills and a proven record in man management.

The position carries a competitive salary package, including the usual benefits associated with a large financial institution.

Interested candidates should write, enclosing a comprehensive curriculum vitae and daytime telephone number quoting ref: 454 to Philip Rice MA, ACMA, Executive Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

FINANCE DIRECTOR

TO £35,000 + CAR + BONUS — *BUCKS.*

This successful company designs, develops and engineers "state of the art" optical products manufacturing equipment. Its high value precision machinery attracts significant export business, particularly in the USA. The ongoing research and development programme has placed the company at the forefront of its markets and it is expanding profitably. Turnover is about £4m and the objective is a USM listing.

The Finance Director will join an entrepreneurial and committed management team, taking full responsibility for finance and accounting. You will drive the effective use of management information and be closely involved in commercial decisions. You will be a key member of the business planning team.

Candidates must be qualified accountants in their mid/late thirties. You should have experienced both large organisation disciplines and the speed and challenge of a growing business. Exposure to a complex manufacturing/engineering environment is desirable. Your success will be determined by a tough approach to decision taking, commercial judgement and excellent communications skills.

Please reply in confidence giving concise career, personal and salary details to Heather Male, quoting Ref. L305, at Slade Egor International, Metro House, 58 St. James's Street, London SW1A 1LD. Tel: 01-629 8070.

International Search and Selection

SLADE EGOR INTERNATIONAL

Assistant to Group Finance Director

Recently Qualified ACA

Rapidly growing plc — **to £27,500 + Car, etc.**

Our client, based in the West End of London, is a highly rated financial and corporate PR, Investor Relations and Advertising group which obtained a full Listing in the mid-1980's and is rapidly expanding into the US and other markets.

The position is a new one, created by the Group's recent growth and future plans, and will involve:

- Some international travel.
- The promotion of the Group's commercial development, with an emphasis on acquisition investigation, negotiation, financial structuring, execution and post-execution management.
- The development of effective systems of financial control appropriate to the Group's planned global expansion.
- The management of sophisticated internal administrative and advisory services in – for example – the areas of tax and treasury planning.

You are likely to be between 25 and 30; a graduate with at least a 2.1 and a record of first-time examination passes. You are probably with one of the major international accountancy practices. And you have ambition, presence and a well-developed sense of financial and commercial creativity.

Please send a detailed CV., including daytime telephone number, in strict confidence to Peter Wilson, FCA at Management Appointments Limited (Search and Selection Consultants), Finland House, 56 Haymarket, London SW1Y 4RN. Tel. (01) 930 6314.

MAL Management Appointments Limited
LONDON • PARIS • MILAN • NEW YORK

FINANCE MANAGER

Kent c.£22,000 + car

Our client, part of a substantial shipping group, wishes to recruit a Finance Manager to set up and run the accounting and reporting department to control two rapidly growing ro-ro operations based in South East England.

The Finance Manager will be responsible to the Managing Director for setting up the systems, recruiting staff, establishing financial controls and reporting procedures, and monitoring results and cash-flows against budgets. The Manager will be responsible for the efficient operation of all financial aspects of the business and will be an active member of the company's management team.

Candidates should be young qualified accountants with the maturity, drive and initiative to meet this challenging task and the ambition to grow with the business. The post will involve some travel. In addition to the salary the package includes a quality car and generous benefits.

Please write in confidence with full career details, quoting reference M6416/3 to John W. Hills.

KPMG Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR

Superb Opportunity – Computer Industry

Divisional Finance Manager

To £24,000 + Car + Re-Location — **South Thames Valley**

Few companies, if any, can match the spectacular success story of our client. They have consistently achieved more than 25% growth each and every year for the last decade! Future expansion plans are no less dramatic. Today, they are arguably the pre-eminent Systems House in the UK, with a turnover easily exceeding £50 million pa. This extraordinary growth, together with the backing of a major multi-national, means the company can offer unrivalled career opportunities at a genuinely exciting stage of development.

We seek a young accountant to become a vital member of the senior management team of a rapidly expanding division based both in the City and South Thames Valley. As Finance Manager of the division you will report to the Managing Director and be actively involved in the management of the business and the commercial decision making process. This high profile appointment will entail managing a small team responsible for providing a comprehensive financial management and management reporting service for the division. The successful candidate can expect accelerated career and salary progression in a company that values and rewards young accountants very highly.

Candidates for the position should be qualified graduate accountants with some commercial experience and in the probable age range 24-29. Some exposure to staff management and/or a project accounting environment will be useful but is not essential.

The company is based within easy reach of the M3 and M25 motorways and the excellent benefits include a full re-location package in appropriate cases.

Please send your career and current salary details, together with a day time telephone number, to Barry C. Skates at our Maidenhead office.

MKA

London, Maidenhead, Worcester, Leeds — Search, Selection & Training

---

Financial Controller

London — c. £28,000 + car

As leaders in the field of computer software and systems, Logica has earned an international reputation for excellence. We are a high growth, publicly quoted company with annual turnover of £111 million and over 2700 staff.

We are now looking for a talented professional to fill the post of Financial Controller managing the Corporate Accounts department servicing the six UK based operating subsidiaries.

The department consists of 35 staff and uses advanced computer based systems. This role therefore demands considerable interpersonal and systems skills as well as a high level of technical accounting expertise.

The successful applicant will be a qualified accountant, ideally aged 30-35 with a comprehensive background in the financial function. Personal qualities will include strong leadership and management communication skills together with the ability to work under pressure.

As you would expect of one of Britain's leading independent systems companies, we are offering a salary of c.£28,000 and a comprehensive range of benefits which includes car and assistance with relocation where appropriate.

Please write with full CV to Mary Crowley, Personnel Officer, Logica International Limited, 64 Newman Street, London W1A 4SE. Telephone: 01-637 9111 ext 2544.

logica

GLOBAL CAPITAL MARKETS

Our client, a subsidiary of a leading Top 50 International bank has recently formed a London based securities operation and now seeks to recruit two key individuals:

Age 25-35 — £ negotiable

CHIEF ACCOUNTANT

The position will carry the responsibility for the design compilation and reporting of all financial information.

The successful candidate will be a qualified accountant preferably with financial services experience.

The personal qualities sought are a high degree of enthusiasm and commitment and a willingness to be extensively involved in a rapidly expanding operation.

Efforts will be recognised by a substantial earnings package.

Age 20-mid 30s — £ negotiable

HEAD OF SETTLEMENTS

The experience sought is likely to have been gained over a three to five year period within an International trading organisation.

The character profile required is one of enterprise and assertiveness as there is a fundamental need to ensure acceptable procedures and effective controls.

Some previous supervisory experience would also be preferable since the supervision of a number of junior staff is envisaged for the near future.

For further details please telephone Richard Parnell (Chief Accountant) or Anna Marshi (Head of Settlements) on 01 – 930 7850, or write giving brief details to the address below.

ROBERT • WALTERS • ASSOCIATES

RECRUITMENT CONSULTANTS
66-68 Haymarket London SW1Y 4RF Telephone: 01-930 7850

APPOINTMENTS ADVERTISING

£43 per single column centimetre

Premium positions will be charged £52 per single column centimetre

For further information call 01-248 8000

Tessa Taylor ext 3351

Deirdre Venables ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 3456

Financial director (designate)

NW London, c£40,000+

C&L

This is a new role and a key appointment in the continued development of a rapidly expanding and highly profitable international group.

Our client, renowned for its expertise in a particularly specialised trading sector and employing a comprehensive leading edge technology base, have produced record levels of turnover and profitability for several years running. Substantial growth is planned for the future.

Reporting to the Managing Director, with total responsibility for financial accounting, auditing and company secretarial duties, you will play a major part in directing the company's future throughout the United Kingdom.

A Chartered Accountant, probably aged 34-42, you will form part of a young and dynamic team and be expected to bring to bear a considerable input relative to line management and make a significant contribution to continue the growth pattern of the last few years, both through acquisition and by internal growth.

Without a doubt, this is a first class opportunity calling for a top flight candidate with a strong personality who by motivation and creativity will be able to advance within the company and stand measurement alongside the current successful top management structure.

Terms of engagement are excellent, and in addition to the base salary they include a share option scheme, pension contribution, BUPA and company car.

If you consider you match up to the high standards of the colleagues you would be joining, please send a résumé, including a daytime telephone number, to John Sanderson Watts, Ref. SW806.

Coopers & Lybrand Executive Selection

Coopers & Lybrand
Executive Selection Limited
Shelley House 3 Noble Street
London EC2V 7DQ
01-606 1975

Are you a Computer All-rounder?

Computer Audit – Computer Consultancy – Computer Training – In-House Systems Manager

Computer Services – Potential Partner — to £30,000 + car
ACA's 28+ — Central London

- Challenging and varied role.
- Wide client base with many plcs.
- Client mainframes – minis – micros.
- In-house computer development.
- Partnership Prospects – 2-3 years.
- Training of in-house/ client staff.
- Computer consultancy.

Our client is a "top 30" firm of chartered accountants seeking to recruit a future computer services partner to take responsibility for client computer audit, installation review, computer security, Data Protection Act work, etc. plus in-house computer development, staff training and computer consultancy for mainly smaller clients (new users).

Candidates (male or female) should have experience at manager level in public practice or commerce/industry of computer audit work plus any or all of the other areas listed.

Please send your CV to **George Ormrod, BA (Oxon), Director or Stephen Hackett, BA (Oxon)** to our London address or telephone **01-836 9501** for more information, **quoting reference 8104.**

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
DOUGLAS LLAMBIAS
LONDON LIVERPOOL MANCHESTER — ABERDEEN EDINBURGH GLASGOW
DOUGLAS LLAMBIAS ASSOCIATES LIMITED, 410 STRAND, LONDON WC2R 0NS
TELEPHONE: 01-836 9501

Bring your industrial experience to the city ...

COMPANY ACCOUNTANT INTERNATIONAL BANKING

£30,000 package

Our client is a leading European banking and broking group which is in the process of relocating to new premises in the heart of the city. Following a successful first year after Big Bang, a service company has been formed to administer the support functions for the financial group.

We are seeking an experienced accountant, ACA or ACMA, aged 30-45, to take control of the entire accounts function of the service company. The successful candidate will be responsible for budgeting and costing for all projects as they arise, and will control all capital expenditure relating to those projects; this will also involve setting up an accounting function from scratch and establishing regular reporting lines to senior management.

Your ideal background will have involved costing, budgeting and financial control in either industry or the service division of a bank. In return for your experience and commitment you will be offered a competitive salary with banking benefits including a subsidised mortgage, and the opportunity to make your mark on a crucial area of the group's administration.

For further information please telephone Jocelyn Bolton on 01-606 1706 or send your C.V. to Anderson, Squires Ltd., 127 Cheapside, London EC2V 6BU.

Financial Recruitment Specialists — Anderson, Squires

FINANCIAL PLANNING MANAGER

To £30,000 + Car
+ Finance Sector Benefits — *City*

This major British Public Group provides a diverse range of financial services to the consumer and is a leader in its sector. It has exciting and demanding plans to capitalise upon its current strong position, including acquisitions.

These plans result in a new position in the central finance team which will focus upon the evaluation of capital projects, acquisitions and operating unit performance.

The ideal candidate will be a qualified accountant aged around 30, with experience in the financial or planning departments of a large company, or relevant experience in a major accounting firm. Excellent interpersonal skills, a questioning intellect and a commitment to quality are essential.

Please reply in confidence giving concise career, salary and personal details to Heather Male quoting Ref. L256, at Slade Egor International, Metro House, 58 St. James's Street, London SW1A 1LD. Tel: 01-629 8070.

International Search and Selection

SLADE EGOR INTERNATIONAL

Accounting for growth

At Tesco, sound but creative financial control is a key factor in our rapid business growth. We offer you the opportunity to step into a fast-moving commercial career, directly influencing our business through strategic advice and guidance in your own particular field.

Being a dynamic organisation, we are always happy to hear from commercially-aware accountants across all finance disciplines who can match professional skill with the drive to action their own ideas. We would particularly like to hear from accountants who have an interest in the following areas:

FINANCIAL ACCOUNTANTS
£16,000 – £19,000
(Some with company car)

Qualified and with experience you will be expected to get involved in the objectives of your user department.

SYSTEMS ACCOUNTANTS
to £19,000

You will be recently or part-qualified with experience of computerised accounting systems. You'll be working on intensive evaluation and development within large mainframe environments.

AUDITORS
£13,000 – £17,000 a year

We have regular opportunities for both fully and part-qualified auditors. If you can demonstrate the right potential, we offer the very best training and career prospects.

At Tesco, you will be part of a financial function which believes in leading, not following; showing how accountancy benefits business. Come to us and we will show you our commitment to career progression.

Benefits include re-location assistance, free BUPA, 25 days holiday and, after a qualifying period, profit sharing, staff discount schemes and a contributory share option scheme.

Please write including current salary details to Jackie Lanham, Personnel Officer, Tesco Stores Limited,
Tesco House,
PO Box 18,
Delamare Road,
Cheshunt, Waltham
Cross, Herts. EN8 9SL.

Tesco is an Equal Opportunity Employer.

TESCO

T E S C O   M E A N S   B U S I N E S S

"profits before tax up 39%…

Earnings per share increased by 27%

Interim dividend increased by 18%

Net margin widens from 4.1% to 5.1%

Operating profit up 45%

H A L F   Y E A R   R E S U L T S   1 9 8 7 / 8 8

APPOINTMENTS ADVERTISING

£43 per single column centimetre

Premium positions will be charged £52 per single column centimetre

For further information call 01-248 8000

Tessa Taylor ext 3351

Deirdre Venables ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 8456

WHAT DOES 'INTERNATIONALE BERICHTERSTATTUNG' MEAN TO YOU?

Mannesmann Kienzle, a leading name in integrated information processing and office automation technology, are looking for a *Management Accountant, fluent in German*, to join the Head Office of their U.K. subsidiary.

Based in Slough, you will be responsible for the preparation and interpretation of monthly management accounts which are distributed to senior managers in both the U.K. and West Germany. Reporting to the Head of Finance & Administration, you will also have the opportunity to undertake various ad hoc assignments and will be supported by a team of accounting staff.

Fully qualified and computer literate, you should have a background in the capital goods industry and experience of working to strict deadlines. Proven supervisory skills are also called for but you will, in addition, need a 'hands on' approach. It is anticipated that you will be in at least your late 20's but otherwise age will not be a primary consideration.

A negotiable salary is being offered together with an attractive package of benefits, including a company car.

Please send a full CV to David Ridgway, Head of Personnel and Training, Mannesmann Information Systems Limited, 224 Bath Road, Slough, Berks SL1 4DS.

MANNESMANN
Mannesmann Information Systems Ltd

Foseco Minsep plc

Group Taxation Manager

West Midlands — Salary £Neg + Car + Relocation Pkg.

Foseco Minsep is an international speciality chemical group, involved in the research, development, manufacture and marketing of products for the world's construction, engineering, metal melting and mining industries. The Group consists of over one hundred operating companies spread throughout thirty five countries around the world.

Reporting to the Director of Taxation and Treasury, you will be responsible for all UK tax matters and involved in the Group's tax planning strategy including the continuing review of the corporate structure and internal financing position. The scope of the role will expand to include direct involvement in international tax issues as your knowledge of the Group increases. An outgoing character, you will be willing to apply technical skills in a commercial environment and keen to understand the other disciplines present in the group.

We anticipate you will be a Graduate Chartered Accountant with a minimum of three years' post qualifying experience in tax and aged 28-35. In return you will enjoy a challenging role with outstanding prospects, high financial rewards and a full relocation package where applicable.

For further information please telephone Nigel Wright ACA on 021-643 6255 or write to the Executive Division, Michael Page Partnership, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

FINANCIAL SERVICES GROUP

Marketing and Corporate Finance Executives

We are an internationally known name with an established financial services operation.

We are planning a major expansion of our activities in 1988 and wish to appoint an executive with experience of all aspects of corporate finance work. We also wish to appoint a marketing executive who will work closely with the existing team promoting the sales effort.

Terms of employment are attractive and reflect the importance we attach to the expansion of our Financial Services Group.

Write in complete confidence with full details to:

Box A0694, Financial Times,
10 Cannon Street, London EC4P 4BY

FINANCIAL DIRECTOR

SMALL FULLY LISTED PLC BASED IN LONDON WEST END SEEKS AGGRESSIVE FINANCIAL DIRECTOR

The company has recently been dramatically transformed and returned to profitability within the trading/engineering sector. Future plans are for growth by acquisition. A very exciting opportunity exists for the right person. Ideally an accountant by training and probably aged 30/40 with experience in acquisition and restructuring. An attractive package including share options will be offered.

Reply to Box A.0689, Financial Times, 10, Cannon Street, London EC4P 4BY

Group Finance Manager

…for rapidly expanding public company

c£25k+bonus+car — Windsor

Our client is a well established industrial holding company involved in the manufacture and distribution of a diverse range of well-known, high quality consumer products. The Group has a sound base from which it intends to grow rapidly.

Its recent growth and plans for the future have created this new position to work closely with the Group Finance Director providing financial management across the Group. Key tasks will include:

- acquisition analysis and investigation
- installation of Group systems into new subsidiaries
- provision of management information
- co-ordination of financial reports and budgets
- internal consultancy

You will be a qualified accountant and graduate with additional relevant business experience, looking to develop your career within an interesting, growth orientated Group.

Package for discussion as indicated.

Please send your c.v. including salary details to Phil Bainbridge, ref. B.35062.

MSL International (UK) Ltd,
Pilgrim House, 2/6 William Street, Windsor, Berks SL4 0BA.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International

AUDITOR

Make a vital contribution to **our** success and **your** career

Moore Paragon UK Limited is part of a major multinational Corporation, manufacturing and marketing business forms in 36 countries and employing over 25,000 people. As a dynamic, continuously developing company, we recognise that our audit function is an important element in ensuring the success and efficiency of our business.

As a result of promotion, we are now seeking a highly motivated and resourceful individual to perform operational audits and management projects. You will present your conclusions through written reports and direct oral presentations to management, discussing their findings and suggesting ways to maximise efficiency.

The position requires travel within the UK and offers the opportunity of occasional overseas travel.

You will be a qualified accountant with at least three years experience in public accounting or internal auditing.

This is an excellent opportunity to establish yourself with a multinational organisation whilst gaining a wide variety of invaluable experience in our operations. A remuneration package, including car, will be on a scale appropriate to a company of our standing.

Please write with full details including CV to: Miss J Ferry,
Personnel Administration Manager,
Moore Paragon UK Limited,
Moore House, 75-79 Southwark Street,
London SE1 0HY.

MOORE
MOORE PARAGON

YOUNG COMMERCIAL ACCOUNTANTS

London £20,000-£25,000+car

Following a major restructuring, our client, a plc, is now actively on the acquisition trail. Their central strategy is to expand their existing interests in a high growth industrial services sector.

They wish to appoint two recently qualified accountants who would initially work with the young executive team with the real prospect of moving into a key role in an acquired company. It is intended that one appointee, probably an ACA, will work with the Group F.D. in researching and negotiating further acquisitions. Previous experience in identifying, assessing and negotiating acquisitions will be a definite advantage.

The second, possibly an ACMA, will concentrate on the enhancement of computerised financial systems and the development of budgeting and management reporting for both existing and new companies.

Both roles will have a high profile in a small, dynamic management team. Energy, confidence and commercial awareness will be essential.

Please reply in confidence, enclosing full career details and quoting reference 4510 to Mike Smith.

KPMG Peat Marwick McLintock
Executive Selection and Search
9 Creed Lane, London EC4V 5BR

A past rich in tradition. A future to value.

ACCOUNTANT

for market leading financial services organisation

BUCKS
c.23k package

You will almost certainly know our client, a key player in the dynamic financial services sector. The organisation has an impressive pedigree with a record of innovation and a high quality product profile. It has a prime position in the field of life assurance and pensions with a track record which is the envy of its competitors.

This role has been created to strengthen and help develop the central finance function against a backcloth of significant change and development.

The need is for a high calibre finance professional who would initially take control of a critical area of the function. Key tasks include management of a small team, reviewing systems and providing a proactive service to 'user' departments.

Whilst we ideally seek a qualified accountant, probably 25-35, those candidates with well developed management skills or relevant experience will be considered on their merits, and personal qualities sufficient to make a positive impact throughout the organisation are considered equally important.

Salary package is negotiable as indicated including mortgage subsidy, non-contributory pension, free lunches and a truly prestigious working environment.

This is a first-class career opportunity and will appeal to ambitious, commercially aware accountants.

Please send your c.v. to Phil Bainbridge, ref. B.35060, MSL International (UK) Ltd., Pilgrim House, 2/6 William Street, Windsor SL4 0BA.

MSL International

Dynamic – Acquisitive – Hi-Growth – PLC

Group Financial Controller

Southern England Salary up to £50,000 + Car + Share Options

Our client is one of the fastest growing public companies in the UK, with interests in manufacturing and distribution. The company has a turnover in excess of £200m and is strongly profitable with considerable funds available for future growth. On-going vigorous expansion through acquisition is planned, while the considerable potential for organic growth continues to be realised.

The position of Group Financial Controller reports to the Group Financial Director whose own role is very strongly business development oriented.

The Controller's responsibilities are those normally associated with such a position; however, considerable emphasis is being placed on the development of financial policy, systems, procedures and controls. Other areas of particular importance are treasury and management information. There will of course be involvement in acquisitions.

Candidates should be qualified accountants, preferably in the age range 35-45. Experience at both Plc group level and at operating company level is desirable, as is an understanding of manufacturing and distribution companies.

Candidates should also be self-starters, with a high degree of commercial acumen, technical strength and well developed interpersonal skills.

Salary is negotiable and will not present a barrier to the recruitment of an outstanding candidate.

As my client wishes to have sight of all applications, could you please state the names of any companies to whom you would not wish your application to be forwarded.

I would be pleased to hear from candidates who meet my client's demanding requirements. Submit your CV to Wayne Thomas, Executive Division, Michael Page Partnership, Kingsbury House, 6 Sheet Street, Windsor, Berkshire SL4 1BG.

MP
Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Challenging development and commercial role

Financial Controller

Northern Home Counties c£23,000+Car

Our client is the £5 million turnover industrial division of an expanding multi-million pound turnover group. They are a niche company involved in electronics and computer graphic displays.

The company has recently identified the need for an experienced Financial Controller. Reporting to the Division's Managing Director you will be responsible through a staff of 8 for:-

* All financial matters affecting company performance
* Developing computerised systems – particularly for contract and design costing
* Commercial and business advice to the Managing Director and Operating Managers.

The successful candidate will be aged 35-45, a qualified accountant, mature, diplomatic and widely experienced. A 'shirt-sleeves' style of operating is essential together with 'hands-on' systems development experience. A competitive salary, fully expensed car and other benefits is being offered for this challenging role.

Interested applicants should submit their C.V. as soon as possible to Wayne Thomas, Executive Division, Michael Page Partnership, Kingsbury House, 6 Sheet Street, Windsor, Berkshire SL4 1BG.

MP
Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

FINANCIAL DIRECTOR

South East England £30,000-£35,000+car

Our client is a well known Group with diversified FMCG business interests and operating throughout the UK.

Recent organisational changes associated with expansion and rationalisation have led to some key new roles being created. A major division now requires a Financial Director to be appointed.

The Finance Director will have dual responsibility as a functional specialist and as a Member of the Board. He or she will be accountable for directing the current financial strategies, policies and systems of the Organisation and developing them where future or prospective business initiatives make this essential. As a Board Member he or she will be required to advise colleagues on the feasibility of ventures under consideration, and participate positively in the direction and management of the Organisation.

Candidates should be F.C.A.'s or F.C.C.A.'s, aged around 40, with good interactive skills and currently either in a Financial Director role, or a Chief Accountant with experience of decision making at Board level. The successful candidate is likely to be on a current salary of not less than £25,000.

Please apply by November 7th, with full C.V. and salary details to:

The Recruitment Consultant
P.O. Box 366
67, De Beauvoir Road, London N1 5AU

EXPERT IN BANANA TECHNOLOGY AND TRADE

Major banana importers, established since the forties in a leading Arab country, planning to establish a procurement division in Central or South America, would employ for a long term an expert in banana technology and trade, capable of organizing and running quality control services, and of providing updated technical advice to growers and packers, and of supervising shipments and connected administrative functions.

The position will be attractively remunerated according to terms to be agreed between the parties.

Essential minimum ten years recent experience in similar position with a well known banana multinational company. Fluency in English is essential.

Candidates must be prepared to live in any major banana growing country, but position would be stable even though frequent travel may be required.

Please apply in confidence, as soon as possible, with full C.V. (All applications to be in English).

I.M. White Consultancy, 31 Danbury Vale, Danbury, Chelmsford, Essex. CM3 4LA, England.

RECENTLY QUALIFIED ACA'S

ACQUISITIONS

To £25,000 + Car
City

This highly acquisitive quoted service group is enjoying dramatic growth and profitability. A small department of consultants within H.O. provides information for mergers/acquisitions decision making. Identifying/investigating targets, liaising through the acquisition process and 'bedding in' new acquisitions, the role is the principal point of contact between vendor and main board. Candidates will be ACA's seeking a first move.

PROJECT ACCOUNTANT

£21,000 + Car
City

This major quoted service company requires a recently qualified ACA for an ad hoc advisory role. Preparing reports on various business issues, the role also embraces assisting non-financial managers to prepare budgets, together with forecasting and variance analysis. Involvement in financial and management accounting, systems and treasury are also envisaged. An established entry point enjoying excellent prospects; promotion is envisaged within one year.

DIVISIONAL FINANCIAL CONTROLLER

£20,000 + Car
City

Part of an international group, this acquisitive property development company has recently been restructured to take account of growth. A young professional is now required for a high profile role involving the formulation and review of budgets, the preparation of a monthly managment information package and ad hoc systems development work. The role controls two staff, and offers an excellent entry into line management for a recently qualified ACA.

Please apply directly to Greg Ripley at Robert Half, Freepost, Roman House, Wood Street, London EC2B 2JQ. Telephone: 01-638 5191.

RH
ROBERT HALF

Financial Recruitment Specialists
London · Birmingham · Windsor · Manchester

Financial Accountant

ESTEE LAUDER continues to be one of the world's leading cosmetic companies. WHITMAN LABORATORIES LIMITED, Petersfield, the UK manufacturing unit supplying products throughout the world, has a vacancy for a qualified accountant (ACCA, ACA, ACMA) with some commercial experience.

The job involves day-to-day control of financial accounting and the preparation of monthly, quarterly and annual reports.

Candidates are likely to have one to two years PQE in a FMCG industry. Knowledge of an integrated computer system and the use of PCs would be an advantage. Applicants would also need to be able to demonstrate the ability to communicate with staff at all levels in an international group.

The Company offers a highly competitive salary plus bonus, car and re-location assistance where appropriate, together with fringe benefits.

Please send C.V. to Gabrielle Bulger, Personnel Manager, Whitman Laboratories Ltd., Winchester Road, Petersfield, Hampshire. Telephone: 0730 66522.

Whitman Laboratories

ACCOUNTANT

GIO UK Limited is a recently established reinsurance company operating in the London market.

We are seeking a qualified accountant to be responsible to the Managing Director for financial accounting and systems, budget reporting, preparation of annual accounts and periodic returns.

Previous experience in the financial accounting and reporting aspects of company operations is essential. Experience also in systems maintenance and development and the reinsurance industry would be an advantage.

Enquiries, in strict confidence, should be directed to
Mr. J. Trimmer, Managing Director.
Telephone 01-626 0103.

FINANCIAL CONTROLLER

Leicestershire c. £25,000 plus car

The bringing together of three hitherto independent manufacturing and service related operations into one consolidated unit is only a part of the development programme designed to project this privately owned company beyond its present turnover of about £7m per annum. The building of a strong professionally motivated senior management team is a further part of the plan with the Financial Controller now being sought to join and enhance that team.

Within such an environment therefore there is much creative work to be done at both manufacturing and commercial ends of the business.

Reporting to the Managing Director we anticipate candidates of maturity and experience — probably CIMA aged about 40 — who can demonstrate their ability to have impact across the full spectrum of an engineering/capital goods manufacturing environment.

In addition to this initial development phase we anticipate the succesful candidate moving progressively to the position of Financial Director and enjoying long term participation at Board level.

Applicants should write with full details of career to date and present earnings quoting reference FT1006 to Brian J. Smith, CIMA, at:

QMS Recruitment
Quorn House, 6 Princess Road West
Leicester LE1 6TP

Management Accounting Systems

London W1 **c. £25,000**

Innovative information requirements from planned accounting services for clients in leading professional practice offer computer-friendly accountant a fascinating install — develop — use project working with experienced partner, in parallel with a real management accounting role.

Candidates must be qualified accountants with hands-on (not necessarily full-time) experience of small computer systems planning and introduction. Communication skills are also important. Prospects extend beyond the systems project.

For fuller details please write to John Courtis at John Courtis & Partners, 104 Marylebone Lane, London W1M 5FU quoting ref. 7202/FT and demonstrating your relevance clearly. Both men and women may apply.

JC&P Management Selection and Search
London, Milton Keynes, Northwich

PARTNERSHIP SEC. £28,000
Fast growing medium/large chartered accountants, seek an internal accountant aged 30-45. Strong leadership qualities, possibly a successful financial controller, also to supervise office services.

MANAGEMENT ACCOUNTANT—FINANCIAL SECTOR
c£20,000 + package—Accountant (qualified ICMA/CACA/ACA preferred), with experience of management reporting and computerised spreadsheet systems. You will be 20s-30s, able to supervise staff and interested in City finance.

COMPLIANCE ACCOUNTANT—c£20,000
A prominent City institution requires highly motivated chartered accountants (up to 40 years). Preferably with exposure in futures, who are looking for opportunities to develop careers outside the profession.

MERIDIAN ASSOCIATES, MUSEUM HOUSE, 25 MUSEUM STREET, WC1A 1JT. 01-255 1555

ACCOUNTANTS/ECONOMISTS/MBAs

At Touche Ross Management Consultants a challenge is on offer to rulers of their roost.

You have dedicated years of hard work to reaching the top of your professional perch. So it came as quite a nasty shock to discover that after all the effort there was surprisingly little there. Except, of course, isolation.

Unusually, your current state of mind is confused; you now have no clear indication of how best to develop your speciality and experience.

If you recognise the scenario and are wondering where the challenge suddenly went, then Touche Ross Management Consultants are a name to remember.

Why? Because what we have to offer the excellent, creative mind is above all else a challenge. Or, more precisely, a continuous range of challenges matched by the stimulus of constant change.

Commercial problem solving in a major international practice like ours will release you from your cold and lonely roost. With Touche Ross you will be working in small teams with experienced, critically supportive colleagues; work which by its very nature will stretch and extend you, exhilarate you, and grant you intellectual elbowroom.

Our environment is an open, pecking order-free structure that encourages strategic self-direction and personal achievement. So much so, that exceptional men and women can progress to partnership within 3-4 years. Initially, starting salaries are to around **£35,000** plus a car.

An ever growing volume of assignments from private and public sector clients has created more opportunities in our London, Birmingham, Manchester and Glasgow offices for people with a good first degree and preferably an MBA or appropriate professional qualification. If you're as good as you think you are - we'll be able to hatch something out together!

Please write with full cv, to:
Michael Hurton, (Ref 4110), Touche Ross & Co., Thavies Inn House, 3-4 Holborn Circus, London EC1N 2HB. Tel: 01-353 7361.

Touche Ross
Management Consultants

FINANCE & ADMINISTRATION MANAGER

South West
c£20K+car +petrol

Our client, the largest company of its kind in the world, is looking for an experienced industrial Financial Manager to help run one of its UK factories.

The role encompasses all aspects of accounting, financial management and information services. The position reports to the General Manager of a stand-alone manufacturing plant producing products with a retail value of over £150 million and employing just under 100 people.

The successful candidate must be professionally qualified and is likely to be of graduate calibre, aged 28-40, with at least 5 years' experience of working in a hands-on manufacturing environment and with expertise specifically in standard costing and systems development.

The position will be particularly attractive to finance professionals who have a sound grasp of French as well as the ability to thrive in a complex international group which can offer long-term career opportunities.

In addition to salary, the remuneration package includes a fully-expensed executive car, non-contributory pension and medical insurance, and full relocation expenses if applicable.

Please send full career details to Valerie Simmons, Lockyer, Bradshaw & Wilson Limited, 39-41 Parker Street, London WC2B 5LH.

All applications are treated in the strictest confidence. Please list any companies to whom your application should not be forwarded.

LBW
LOCKYER, BRADSHAW & WILSON LIMITED
A member of the Addison Consultancy Group PLC

Financial Controller

Paris **c FF 250.000**

Our client, a rapidly expanding international group with interests in the Middle East and Europe and a turnover already in excess of US $100M, is looking for a financial controller to operate directly as an assistant to the general manager.

In addition to co-ordinating and analysing the results of the group, the selected candidate will be responsible for introducing a centralised management reporting system, running the accounts of the holding company and participating in the Treasury function of the whole group.

This position is an ideal opportunity for a young qualified accountant looking to gain international experience in an operational, growth environment. Candidates must, however, be totally fluent in English and have a good working knowledge of French.

If you are interested, please contact **Ivor N. Alex ACA on Paris (331) 40.70.00.36 or alternatively write to him by express post at Michael Page France, 19 Avenue George V – 75008 Paris** enclosing a comprehensive curriculum vitae and quoting reference **INA/1316.**

MP
Michael Page International
Recruitment Consultants
London Amsterdam Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

Finance Directors

West Midlands

Due to expansion, the Tubes & Fittings Division of the highly successful £500m pa. Glynwed International plc group of companies has opportunities for two Finance Directors; one for the Plastics Sub-Division and another for the Steel Tubes Sub-Division.

These are new positions and, working closely with the respective Managing Director, the successful candidates will be responsible for assisting in the further growth of a number of autonomous but related business units. Key tasks will be co-ordinating and controlling financial reporting, and assisting in the identification, examination and evaluation of investment and acquisition opportunities.

Candidates, male/female, must be qualified accountants, probably aged between 35 and 40, who have experience as the Finance Director of a £10m+ pa. manufacturing profit centre, and be able to demonstrate a high level of contribution to business performance.

Good remuneration, incentives and benefits package with many features.

For an information/application pack please contact, in the first instance:-
Hugh McCredie, Group Staff Manager,
Glynwed Group Services Limited,
Headland House, 54 New Coventry Road, Sheldon, Birmingham B26 3AZ. Telephone: 021-742 2366.

Glynwed Tubes & Fittings Ltd
A member of the Glynwed International plc group of companies

FINANCIAL CONTROLLER

Worcestershire **c£23,000 + Car**

Our client is a major group in a growing service industry sector which has enjoyed significant growth and increased market penetration through innovation and diversification over the last two years.

The appointment of Financial Controller reporting to the Director of Finance and Administration is a new appointment reflecting the importance of financial control in the Group. It is a significant management position with responsibility for all aspects of the finance function including financial accounting, treasury management, budgeting and forecasting, and project appraisal. There are prospects of a directorship within two years for the successful candidate.

Applicants should be chartered accountants, under 40 years of age with a good technical background gained in a medium/large company or professional office. First line management and hands-on computing experience is essential.

The Group's head office is in an attractive rural setting and assistance will be provided with relocation.

Please write in complete confidence quoting reference 3606/1 and submitting a curriculum vitae including current salary details to:

Peter Childs
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
London EC1N 8JA

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

MOTION PICTURES

Newly/Recently Qualified Accountant

c.£20,000 + Benefits ***West London***

No. 1 in cinema/film distribution in over 45 countries, this £300m T/O multi-national offers a superb entry to the Leisure Industry.

A Newly/Recently qualified accountant will lead 8 staff, taking full responsibility for financial and management control of the Head Office accounting functions. This will include analysis and planning by geographical area, working within a multi-currency environment.

The successful candidate, aged 23-27, will thrive on the excitement of the film industry and will be encouraged to diversify their contribution beyond the parameters of finance.

Prospects for career development include a move into Corporate Planning or Controllership in the UK or Worldwide.

Please contact NICOLA LENDRUM Ref: 4306 on 01-404 3155 at ALDERWICK PEACHELL and PARTNERS (Financial Recruitment Consultants), 125 High Holborn, London WC1V 6QA.

Alderwick Peachell and PARTNERS LTD

Optical and Medical International Group

Financial Controller—Southampton based

A major Division of the Group operating in the field of Technical Services from 31 UK sites requires a Financial Controller to report to the Financial Director of the Division.

The responsibilities of the post include full day to day management of the accounting function, which has a staff of ten. Particular emphasis will be paid to the production of timely management information and the development of the existing computerised accounting systems.

The position carries a salary of up to £21,000, a fully expensed car, executive pension scheme and BUPA.

Candidates with hands-on data processing experience in their late twenties to mid-thirties should apply to:

C. D. FRY Esq.,
Group Financial Controller, Sutherland House,
70-78 West Hendon Broadway, London NW9 7BT.

Young ACA Financial Accountant

Cheshire based c.£16,000 + Excellent Benefits

This is the ideal opportunity for a young recently qualified ambitious ACA to make their first move into industry.

Our client, Applied Biosystems, a U.S. Multi-National organisation with the European Headquarters based in Warrington, are world leaders in the development, manufacture and marketing of biochemicals and automated instruments for use in biochemistry, molecular biology and biotechnology research.

Due to the on-going expansion programme, they now require a commercially aware, computer literate accountant to become an integral part of a highly motivated team. You will be responsible for the preparation of the monthly financial accounts package, forecasts, budgets, consolidations and any ad hoc investigations.

If you can meet the challenge offered by this fast moving Hi-Tech company, then please send a full C.V. showing current salary, daytime telephone number and availability to Linda McConville, M.E.C.I., Managing Consultant, Robert Armstrong & Co., 2 Booth Street, Manchester M2 4AG.

Robert Armstrong & Company
Management Selection Consultants

Joint Venture Accountant

Central London c.£19,000 + CAR + Excellent Benefits

As part of a strong British Energy Group, our subsidiary, Century Power and Light Limited which is currently based in the City of London but relocating in the near future, is expanding to maintain the development of its exploration and production operations. We are currently a partner in 49 North Sea blocks covering 6,000 square kilometres, and have interests in 3 producing fields and a number of oil and gas fields in varying stages of appraisal for development.

We are now seeking to strengthen our existing staff by the recruitment of a qualified accountant (preferably ACA) with around 2 years' post qualifying experience and a keen interest in the oil industry. Working as part of a small, professional team you will be responsible for joint venture audits, joint operating agreement accounting procedures and billing analyses.

Approximately one third of your time will be spent outside the office, but within the U.K.

The position, carries an excellent starting salary plus fully expensed company car, and a range of benefits including Non-Contributory Pension/Life Assurance Scheme, free Bupa and Company Sickness Scheme.

Please send a full curriculum vitae in the first instance to Mrs Brenda Cole, Personnel Officer, Calor Group plc., Appleton Park, Slough SL3 9JG.

Calor is an equal opportunities employer. We welcome applications from members of all ethnic minorities and both sexes.

CALOR Gas

Finance Director

London — c£50,000 + Benefits

Our client, a marketing and business services group with revenues in excess of £30 million and a strong client base, is seeking to recruit a Finance Director.

As a key member of the executive team you will be closely involved in the strategic development of the group. This position will appeal to a dynamic self-starter able to make a major contribution to our client's corporate objectives within this fast moving business sector.

Applications are invited from qualified accountants aged 35-45 who can demonstrate first class technical, commercial and inter-personal skills. A record of achievement is more important than relevant sector experience but successful acquisition experience would be a considerable advantage.

If you possess the necessary qualities our client seeks, please write to **Barry Ollier ACA, Executive Division** enclosing a comprehensive curriculum vitae and telephone number, quoting ref. 459 at 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

UK Tax Compliance Specialist

London W1 — c£25,000 + Car

Our client is a major international Engineering Group with a worldwide turnover around £1000m. The TI Group has undergone a significant recent reorganisation emerging with an exciting development strategy and a successful international base.

The Group now wishes to recruit a compliance specialist for its new and internationally responsible taxation team. Ideally you will be a qualified accountant with solid working experience in the following areas:

* Determination and agreement of corporation tax liabilities for a range of UK companies including planning the optimum utilisation of reliefs and allowances.
* Monitoring and improving Group compliance with VAT and PAYE regulations.
* Assistance with development of a computer based taxation system.

The successful candidate will have the ability to take immediate responsibility for these duties as well as advising and liaising with Treasury and Financial Accounting colleagues on taxation matters.

For further information please contact Chris Nelson on 01-831 2000 (evenings/weekends 01-785 6545) or write to him at the **Taxation Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.**

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

ASDA GROUP PLC

Senior Financial Analyst

Watford — to £20,000 + F/E Car

ASDA has experienced rapid growth in recent years and is now a major force within today's highly competitive food retailing sector. Following recent developments ASDA has embarked upon a £1bn capital investment programme which includes the development of over 34 new 'Out of Town' superstores.

Following promotion within the group they now seek to recruit a **Senior Financial Analyst** at their group head office in Watford. This is the centre of corporate reporting and strategic development and as such this role will include:

* **Financial modelling**
* **Co-ordination of strategic corporate plans**
* **Performance analysis**
* **Investigation and review of investment opportunities**
* **Special projects**

This challenging role requires a bright, enthusiastic newly or recently qualified Chartered Accountant. Applicants should be graduates, and able to demonstrate computer literacy, commercial awareness and an intelligent approach to problem solving. In return excellent prospects exist for progression within this dynamic organisation.

Interested applicants should contact **Richard Wright** on 0727 65813 or write to him at **Centurion House, 136-142 London Road, St. Albans AL1 1SA.**

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Finance Director

Midlands — c£25,000 pkg + Car

Our client is a well established, £8m turnover company in the construction industry, and is part of a highly profitable, international plc with an exceptional growth record.

The Finance Director will assume total responsibility for the financial and purchasing functions and will be fully involved in the commercial activities of the company. The initial brief will be to completely reorganise these functions, and to review the computerised systems. The successful applicant will also be expected to work closely with the Managing Director and play a major part in determining the future commercial strategy of the company. The group's history of promoting finance managers into general management positions ensures that medium term career prospects are outstanding.

Candidates, aged 30-40, should be qualified accountants with broad accounting experience gained in medium sized manufacturing companies. A high level of self motivation, strong commercial awareness and positive communication skills are prerequisites of the appointment.

Relocation facilities are available where appropriate.

Applicants should write to **Alan Dickinson ACMA** at **Michael Page Partnership, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST,** quoting ref: 551 (Tel 021-643 6255).

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Young, entrepreneurial, risk-orientated

Finance Director

South Wales — around £25,000 + Mercedes and substantial benefits

This young, extremely successful, multi-disciplinary hi-tech organisation has already made a significant impact with its sophisticated range of products and services.

A "small company with big ambitions", it employs an elite, innovative team of the highest calibre; they need a risk-orientated and entrepreneurial Financial Director who can complement their creative skills with experience in financial control, administration and business management.

Probably in your mid to late 20s, or perhaps early 30s, you will be a highly ambitious, well qualified accountant, seeking a constraint-free environment in which to progress; you will relish the speculative aspects of business and may have experience in the venture capital or merchant sector. Able to appraise proposed acquisitions or new ventures, your ability to design and implement financial controls is essential; experience of raising capital would be most useful but of prime importance will be your team minded approach and innovative flair.

The substantial remuneration package is complemented by relocation assistance to a most attractive area of South Wales.

To apply please telephone for an application form or send your cv quoting **Ref: 1767/PB/FT** to Peter Bedford, at the address below.

PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

St Brandon's House, 29 Great George Street, Bristol BS1 5QT.
Tel: 0272 298204

CHIEF ACCOUNTANT

Royal Trust provides private banking services encompassing banking and international trust services and is part of the Royal Trust Group. The Company is committed to uncompromising standards of service, a reputation for excellence and superior quality products.

We need to recruit a highly trained and versatile Accountant who will report to the Financial Controller and be responsible for providing and maintaining a detailed dialogue on all aspects of financial management, within the Trust and Banking operations, as well as having significant involvement in annual budget preparation.

Applicants must be ACCA or ACA qualified and used to tight reporting deadlines, exacting demands and capable of working on their own initiative. A comprehensive working knowledge of PC's and experience in management accounts preparation and staff supervision are fundamental to the job.

We offer a highly competitive salary and benefits package commensurate with experience/qualifications but this will not be a limiting factor to the candidate able to demonstrate the level of commitment, interest and ambition necessary to meet the job demands. We envisage this will be a contract appointment.

Applications in writing to:–
Mrs. S. J. Johnson, Manager – Personnel,
Royal Trust Bank (Jersey) Limited,
Royal Trust House, Colomberie,
St. Helier, JERSEY,
Channel Islands.
Telephone: (0534) 27441 Ext. 3520

ROYAL TRUST
Royal Trust Bank (Jersey) Limited

HEAD OF FINANCIAL CONTROL

City — c. £37k + car/package

Our client is a well-established, prestigious financial institution employing about 1,700 staff, providing high class banking and financial services.

As Head of Financial Control, reporting direct to the Managing Director, the appointed candidate will be fully accountable for directing the further strategic development of the financial function with a staff of 20.

Key tasks include managing and developing the day-to-day computerised finance and accounting procedures, providing all necessary financial information for management and external statutory bodies, ensuring compliance with the requirements of the Financial Services Act, asset and liability management, as well as playing a major role in planning the strategic development of the business.

Candidates, ideally aged 38-43, must be chartered accountants, demonstrating considerable line management experience and expertise at a senior level within a major commercial organisation, preferably within a banking or financial services environment.

Strong proactive, negotiating and inter-personal skills are required, as is the personal stature necessary to fulfil the demands of this important appointment.

Please apply with full career details to:–
Stephen Mawditt,
Managing Director,
Senior Management International.

SEARCH & SELECTION DIVISION InterExec SMI
Human Resource Management Consultants
Landseer House 19 Charing Cross Road, London WC2H 0ES

Financial Director (Designate)

West End — Salary c.£35,000 + car

Our clients, a dynamic, expanding medium sized professional firm have established a sound reputation in their specialist professional areas. They aspire to take the firm to the market and recognise the crucial role that a full time Finance Director would have in planning and monitoring the firm's business and financial affairs.

Reporting to the Senior Partner, the successful candidate will have full responsibility for the financial role, the development of systems as well as developing the financial strategy and future planning of the firm.

Candidates male or female, aged in their early 30's, will be Chartered Accountants who can demonstrate strong personal attributes and practical success in planning and managing finance. Good computer appreciation and systems development and sound interface with "city" institutions are essential requirements to this post.

Interested candidates, who meet these demanding criteria, should send a detailed CV including current salary to Don Day FCA, quoting reference LM 937 at Spicer and Pegler Associates, Executive Selection, 13 Bruton Street, London W1X 7AH.

Spicer and Pegler Associates
Executive Selection

Redland

Outstanding Opportunity in Corporate Strategy/Acquisitions

Redland is a fast growing, leading producer of building materials throughout the world, with interests in aggregates, roof tiles, bricks, fuel distribution and plasterboard. Sales are in excess of £1.5 billion and profits of the order of £150 million.

A small, high calibre planning team reports to the Chairman and is closely involved in achieving profitable growth. Its members work with top management at both Group and Divisional levels. Several members of this team have been promoted to senior line-management positions within the Group. Following such a promotion, a vacancy has arisen for a new member of the team.

Applications are invited from those aged between 23 and 30 who have high intelligence, good analytical, numerical, linguistic and people skills. They will be articulate, self-starting and bottom line results orientated.

Successful candidates are likely to have made their mark already in their first appointment or will have recently completed an MBA.

Applications should be sent to: David Soskin, Director of Corporate Planning, Redland PLC, Redland House, Reigate, Surrey RH2 0SJ.

FINANCIAL ACCOUNTS

c£20-£30,000

We are currently acting on behalf of several internationally renowned stockbroking institutions who are looking to fill a number of financial accounting positions. There are a variety of roles available and although prior experience within the financial services sector is preferable, it is by no means essential.

The successful candidate should be a qualified Chartered Accountant with a good exam record and the determination to succeed in a competitive environment.

For further details on the above positions please contact Joe Reilly or Alexander Smith on 01-583 0073 (or 01-870 1896 outside office hours).

COMPANY ACCOUNTANT

£19,000 + Car

Our client, an expanding company based in Central London with interests in the UK and overseas, wishes to recruit a newly qualified Chartered Accountant with a good academic background for a head office role.

The successful candidate will be involved with annual accounts, group profit forecasts, debenture issues and various ad hoc projects. Candidates, preferably from one of the big 8 firms, must display good accounting skills and a good commercial acumen.

Prospects for career development with the group are excellent and this position represents an ideal first move for a young accountant wishing to leave the profession.

For further details please contact Hugo Hunt on 01-583 0073 who will treat all enquiries in strict confidence.

BADENOCH & CLARK
LONDON • BIRMINGHAM • MILTON KEYNES • READING
THE FINANCIAL & LEGAL RECRUITMENT SPECIALISTS
16-18 NEW BRIDGE STREET, BLACKFRIARS, LONDON EC4
6 LLOYDS AVENUE, LONDON EC3.

Group Finance Director

c.£50,000 + car

Thames Valley

Our client is synonymous with success. Established at the beginning of the century, this privately owned group of companies, with core activities of construction and property development, has experienced exceptional growth, doubling its turnover in the past two years to £100m.

With ambitious plans for further expansion, both organically and by acquisition, a review of the company's senior management team has identified a requirement for a Group Finance Director.

This is an outstanding opportunity for an exceptional individual with a proven track record in a high profile environment to assume responsibility for the Group's Finance and Administration Functions. You will be expected to contribute substantially to the management of the business, working closely with the Group's Chief Executive on future strategy. Your first task will be to review the present structure of the Function, make recommendations and implement the necessary steps in order to facilitate the continued and sustained growth of the company into the 21st Century.

You will be a "fast track" chartered accountant, aged 35-45, with at least 10 years post qualification experience in a dynamic and demanding environment where you have contributed significantly to strategic planning. You must have sound commercial acumen and be able to demonstrate excellent communication, man management and interpersonal skills.

In the first instance, *please forward your career resumé and daytime telephone number to Mandy Davies,*

ROBSON RHODES

Chartered Accountants

Management Consultancy Division

186, City Road, London, EC1V 2NU.

FINANCE DIRECTOR

Experienced in managing exceptional growth

Surrey c £45,000 + car + profit share

This challenging opportunity arises in a group of companies which has grown from less than £1 million turnover to £20 million in four years and now aims to achieve, within a similar further period, sales of £100 million. The group designs, manufactures and markets a range of collectors items and high quality gift products. Exports are increasing even more rapidly than domestic sales.

The Finance Director will review and develop the systems and staffing of the finance function and play a key role in planning and controlling growth, including forecasting and negotiating the necessary funds.

Applications are invited from qualified accountants, aged 30 – 45, with previous first hand experience in a rapidly expanding business. In order to deal successfully with people ranging from extroverted entrepreneurs to talented artists, candidates will need to be sensitive, stable and sympathetic yet also commercially hard-nosed.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2850 to G. J. Perkins, Executive Selection Division.

Touche Ross

The Business Partners

Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB. Tel: 01-353 7361.

Director of Finance

London

c£35,000 + bonus + s/options + car

Our client, a major quoted plc with an asset base exceeding £1bn, operates one of the foremost property companies throughout the UK. New developments and re-structuring of this multi-site organisation have now resulted in the need to appoint a Director of Finance of the quoted property company.

The role reports to the Chief Executive and will have responsibility for directing the strategy and future expansion of the business. Strong cash management and the imposition of tight financial controls are imperative.

Candidates, age indicator 30-40, will be qualified accountants, who must have had property experience. That experience must also include strong interpersonal skills to liaise with both internal and external parties and be backed up by a strong commercial awareness with sound financial expertise. Future prospects within this group are excellent.

Please write enclosing full resumé quoting ref: 145 to:-
Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE.
Tel: 01-839 4572

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

YOUNG FINANCE DIRECTOR

– WITH A HIGH LEVEL OF BUSINESS FLAIR

c.25k + SUBSTANTIAL BONUS + CAR READING

Pipe Dreams is a specialist retailer of luxury bathroom furniture. Since January it has been a strategically important member of Smallbone plc, the highly successful and innovative group involved in design, manufacture, wholesaling and retailing in the top sector of domestic interior design.

The need is for a highly commercial, qualified accountant to assist the M.D. in the running of the business and contribute to the ambitious growth plans which should see turnover quadruple and a multi-site operation established within 3 years. Immediate priorities will be the provision of management *information, currently in its infancy, and the continued development of* computerised systems and stock control.

You are likely to be under 30 with the personal qualities to succeed in a fast moving, design led and sales driven organisation. This is an excellent opportunity to gain broad business management experience within a highly professional, forward looking group.

Please send your c.v. to our advising consultant, Phil Bainbridge, ref. B.35063. MSL International (UK) Ltd., Pilgrim House, 2/6 William Street, Windsor SL4 0BA.

SMALLBONE PLC

INVESTIGATIVE ACCOUNTANCY
Up to £20,000

ARE WE GETTING OUR MONEY'S WORTH FROM OUR BIGGEST SPENDERS?

The public sector accounts for some of the biggest spending in the economy. An independent public organisation, our brief at the National Audit Office is to examine the accounts of all government departments and other public bodies. Our examinations go beyond the traditional requirements for certification of accounts into questions of efficiency, economy and effectiveness. Our complex value-for-money investigations, in particular, involve us in wide issues where judgement is at a premium and where we can be treading close to the outer limits of audit work. We are further expanding our team and looking for top calibre *professionals to join us as Senior Auditors.*

Candidates must be fully qualified accountants (Public Finance, Chartered, Certified or Management) with a good knowledge of current *auditing methods and techniques, and the ability to* work on their own initiative. Very important is an inquisitive approach with the persistence and tact to see matters through to completion. At least one year's post-qualification experience is required, together with the capacity to act as team leader and supervise graduate trainees.

The vacancies are in London, mainly in our modern headquarters building, but some travel within the UK will be necessary.

We operate a performance related pay scheme with a range for Senior Auditors of £16,485 to £21,814. Starting salaries within this range will depend on qualifications and experience. Promotion prospects are excellent. An attractive benefits package includes a non-contributory index-linked pension scheme, free life insurance, interest-free loans for season ticket purchase and, where applicable, assistance with relocation.

Please write, including a full CV, to Michael Bland, National Audit Office, 157-197, Buckingham Palace Road, Victoria, London SW1W 9SP.

NAO
NATIONAL AUDIT OFFICE

The NAO is an equal opportunities employer.

ORION

FINANCIAL CONTROLLER

Port Talbot, South Wales

Orion is one of the leading manufacturing companies in the world. A factory *making video recorders* has been in operation near Port Talbot for approximately one year. Rapid expansion has created a need for a Financial Controller who will be responsible for managing the accounts function which is currently staffed by 4 people and subject to further development. Responsible to the Managing Director *the role will involve the preparation of management* accounts and reports on a timely basis for both the UK Board and the parent company in Japan. Computerised systems are in use.

Candidates aged 25-45 should preferably be qualified accountants with experience of working with a multi national group.

The salary will reflect the importance of the role and the experience of the individual.

Please write with full CV to: Mr C N Trotman, Orion Electric (UK) Ltd, Kenfig Industrial Estate, Margam, Nr. Port Talbot, Mid Glamorgan.

A Unique Opportunity for a young

Management Accountant

City Salary Neg to £25k + car + benefits

Our Client, a major Lloyd's members underwriting and managing agency, is currently reorganising its financial reporting and management accounting structure and has identified the need for a young Management Accountant.

Reporting to the Financial Controller, you will have responsibility for establishing tighter financial controls, providing financial management information, statistical analysis, and the preparation of statutory accounts and Lloyds compliance requirements. To achieve these objectives, you will also be heavily involved in the development of computer systems in the financial and underwriting areas.

Candidates, will be Chartered Accountants, aged in their mid 20's, who have experienced an involvement with the Lloyd's market, who are computer literate and are now ready to embark on an exciting career with a very progressive organisation.

The rewards in this post are outstanding for a recently qualified accountant, and if you feel you could meet this challenge, you should send a detailed CV, including current salary, to Don Day FCA, quoting reference LM622 at Spicer and Pegler Associates, Executive Selection, 13 Bruton Street, London W1X 7AH.

Spicer and Pegler Associates
Executive Selection

Group Finance Manager

Rural North West

to £30,000 p.a. plus company car

Our client is a medium sized company owned by its management and moving towards public quotation, engaged in the manufacture and sale of a world renowned medical product. It has exciting expansion planned and *wishes to recruit its first Finance* Manager to take part in this growth.

The appointee will eventually be responsible for all accountancy (already fully computerised), financial reporting and treasury functions, but will also represent the company in dealings outside the finance area. Candidates (30 to 40 and C.A. or C.C.A.) will have had 5 years' experience in industrial manufacturing environment since qualifying, ideally at management level with computer and man management exposure.

Apply in confidence to Hamilton Howatt, ERP International, 310 Chester Road, Hartford, Northwich, Cheshire, CW8 2AB, stating how you meet our clients requirements and quoting reference *C500/FT. Both men and women may apply.*

ERP
in association with
John Courtis and Partners

USA

Seidman & Seidman, International Accountants, have vacancies for audit staff in their New York City office.

These positions will interest candidates with one to two years' post qualification experience with a leading firm of Chartered Accountants and who are able to transfer by January 1 1988. Positions must be for a minimum of two years.

Full assistance will be provided with visa procedures.

For further details, please write with full CV and home telephone number to:

Mr Robert A. Gaida
Human Resource Partner
Seidman & Seidman
15 Columbus Circle
New York, New York 10023
USA

Seidman & Seidman

Financial Controller

West End Salary neg. to £30k + car

Our clients, a dynamically expanding firm of solicitors, are considered to be among the leaders in one of their specialist professional areas. They now recognise the crucial role that a full time professional Financial Controller would have in planning and maintaining the partnership's business and financial affairs.

Reporting to and working closely with the Senior Partner, the successful candidate will have full responsibility for the financial role at a time of rapid change and development.

Candidates, likely to be 28-34, will be Chartered Accountants who can demonstrate strong personal attributes and practical success in planning and managing finance, IT and other support activities in a service or partnership environment.

Interested candidates, who meet these demanding criteria, should send a detailed CV including current salary to Don Day FCA, quoting reference LM 621 at Spicer and Pegler Associates, Executive Selection, 13 Bruton Street, London W1X 7AH.

Spicer and Pegler Associates
Executive Selection

HENDERSON
ADMINISTRATION GROUP PLC

COMPLIANCE MANAGER

c.£28,000 + profit share and excellent benefits

Henderson Administration is an International Investment Management Group managing funds of approx £8 billion for UK and International clients in the world's major stock markets. It is one of the largest independent British investment management houses, highly regarded in the City and by major institutional and private investors.

This new post offers an exciting and challenging opportunity for a high-calibre, young Chartered Accountant who has had at least 5 years post-qualifying experience. Familiarity with the City's institutional environment is desirable but not essential.

Candidates need a high degree of maturity, self-motivation and communication skills, and the ability rapidly to acquire an understanding of the diverse technical systems and legal issues involved in establishing a compliance and internal audit unit within the organisation. This high-profile position will report to the Group Compliance Officer.

The highly attractive salary and benefits package includes a car and non-contributory pension scheme.

Please write with career details quoting reference BH.776 to Tony Burden, Executive Selection Division, 18 Grosvenor Street, London W1X 9FD.

ESD

ESD is the Executive Selection Division of EAL International

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

A MEMBER OF BLUE ARROW PLC

General Manager — Finance (With Director Potential)

Textile Products

West Yorkshire, To £30,000, Car, Benefits

This is a rare and special opportunity to join a profitable, well established private company with a turnover in excess of £10m per annum, employing 130 people and operating successfully in UK and International markets. An accomplished individual is now required to join the team, bringing fresh and innovative levels of financial and general business expertise at a crucial stage in the development of a company which has undergone a huge reinvestment programme. A successful, qualified Chartered Accountant, you will have considerable expertise in systems, a strong commercial awareness and want Directorship within a reasonable period of time. An excellent communicator and inspirational leader, you should have the personality to fit in well with a proud, vigorous family run enterprise which has always enjoyed an enviable reputation in quality products and customer service. A lead by example and shirt sleeves type of management style are essential. This is a genuine opportunity offering outstanding prospects for an individual seeking both personal career development and the potential of a significant financial stake in a healthy and growing business.

J.A. Thomas, Hoggett Bowers plc, *7 Lisbon Square,*
LEEDS, *LS1 4LZ*, 0532 448661. *Ref: L13040/FT.*

Financial Director

Light Engineering

North East, To £26,000, Profit Share, Car

Setting and maintaining the highest standards of quality and reliability have enabled this extremely successful organisation to become a major force in the UK and international market place and has helped to create an exceptional career opportunity for a dynamic accountant to play a key role within the company. Reporting to the Managing Director, responsibility is for the effective control of all plant accounting activities, incorporating guidance in the strategic development of the company, the provision of financial information and reports, the development and maintenance of computerised systems and the management of a highly committed team to maximise their effectiveness. Aged over 30 and a qualified accountant, preferably ACMA, you will have a track record of achievement gained at a senior level within a manufacturing environment and be able to demonstrate the necessary level of drive and management ability to make a significant contribution to the overall success of the business. Prospects for promotion to more senior positions within the company are outstanding.

*D.R. Davidson, **Hoggett Bowers plc**, 4 Mosley Street,*
NEWCASTLE UPON TYNE, NE1 1DE, 091-232 7455. *Ref: N15022/FT.*

Group Finance Executive

Major International plc

North West, Over £25,000, Car

The continuing successful growth and development of this major international plc has created this important position in the Group Head Office. The responsibilities are wide, providing exposure to senior management throughout the Group when evaluating and interpreting business performance. Candidates will need to demonstrate strong, intellectual, interpersonal and analytical skills, be experienced in addressing broad business strategy issues, including contributing to acquisition activity, all on a solid management accounting base. Familiarity with the use of personal computers is essential. Only graduates, aged 27-35, with an accounting qualification and at least three years experience within a leading industrial/commercial organisation will be considered for this appointment which provides a genuine career opportunity.

Mrs. J. Cull, Hoggett Bowers plc, *St. James's Court, 30 Brown Street,*
MANCHESTER, *M2 2JF*, 061-832 3500. *Ref: M16007/FT.*

Unit Trust Administration

City, To £23,000, Car

Promotion of the present incumbent has created this opportunity in one of the most successful and well known unit trust management companies. Reporting to the Director of Administration, the position is responsible for a small but experienced team, each person in which has complete funds to administer. The successful candidate will have a minimum of about five years unit trust experience, exposure to fairly advanced accounting and tax questions, leadership qualities that gain and keep the respect of staff and senior management and the ability to guide the team through the current and future computerisation and other improvements in working systems. Ideal age is mid 30's but the right experience and personality are more important.

I.L. Duff, Hoggett Bowers plc, *1/2 Hanover Street,*
LONDON, *W1R 9WB*, 01 734 6852. *Ref: H14021/FT*

Financial Director

Food Manufacturing

Central Scotland,

c £22,500, Car, Above Average Benefits

A career opportunity for an ambitious accountant to make a major contribution to the continued growth and development of a successful food manufacturer, a self accounting profit centre within an independent Scottish group. The successful candidate, in addition to the primary responsibility for the provision of financial and management accounting information, will control personnel administration, finished goods inventory and distribution and lead the development of computer based Management Information Systems. Aged 30-40 and probably a qualified CA, applicants will have at least 5 years manufacturing experience, ideally gained in the food industry. Personal drive and commitment will be combined with the creativity and interpersonal skills necessary to play a key role in a small integrated management team. Very attractive conditions of service reflect the stature of the company and as part of a successful group the prospects of further career progression are excellent.

D.G. Burgon, Hoggett Bowers plc, *29 St Vincent Place,*
GLASGOW, *G1 2DT*, 041-221 2585. *Ref: G14023/FT.*

Financial Accountant

A UK Leader in the Brewery/Leisure Industry

City, c £18,000, Excellent Benefits

The UK Brewing arm of one of Britain's largest Groups, with annual sales in excess of £5 Billion is currently seeking a Financial Accountant to clarify and motivate the profitable performance of the financial function. The divisions activities encompass the complete brewery group operations within a highly competitive environment, displaying success and continued growth in all areas of trading. The successful candidate will assume responsibility for the direct reporting of financial information and ensure that internal controls are maintained to the highest professional standards supported by a team of 3 staff. The ideal candidate aged 25-28 will be a qualified ACA, ACCA with 2 years relevant post-qualification experience including a knowledge of mainframe/micro computer systems and proficiency within a salaries environment. Additionally you will be an ambitious individual with displayed skills in the training and development of staff. This front-line position should be considered as a stepping stone for future advancement into a regional or Head Office role. Generous benefits package and relocation assistance.

B.E. Boylan, Accountancy Division, Hoggett Bowers plc, *1/2 Hanover Street,*
LONDON, *W1R 9WB*, 01-409 2766. *Ref: 834/FT.*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

GROUP FINANCIAL CONTROL

Substantial Remuneration

Fox-Pitt, Kelton are an international stockbroking and investment banking group based in Europe and the USA; we have expanded rapidly in five years to become a major force in our specialised markets.

We are seeking a group accountant/financial controller to work with our group chief financial officer in London. He will need to be capable of operating in a fast moving environment which involves foreign exchange, international taxation and complex corporate structures. He will have a sound bass of accounting theory and experience in preparing consolidated accounts.

The primary tasks are the preparation of the group management and statutory accounts and budgets and control of the group cash positions; he will also assist on taxation and the group's financial administration.

The successful candidate will be computer literate and he or she will be a graduate Chartered Accountant, who has experience with a major accounting firm and relevant commercial experience outside the profession.

We are offering a highly competitive remuneration package, so salary will not be a problem for the right candidate.

Please send a comprehensive CV including details of remuneration to:

The Financial Director
FOX-PITT, KELTON LIMITED
Eldon House, 2 Eldon Street, London EC2P 2AY

FINANCIAL AND BUSINESS CONSULTANTS

OUR NAME MEANS BUSINESS

When it comes to Management Consultancy, few names are as well known or as well respected as Peat Marwick McLintock.

From the private to public sector, from industry to education, our specialist teams of consultants enjoy a wide variety of challenges, demands and opportunities.

Were you to join us you would join a UK consultancy of 600 professionals, working within a worldwide group of over 4,500 consultants.

This size enables us to provide the breadth of service to clients that is essential in the international markets of today. It also gives us access to an enormous skill, experience and knowledge bank, and it enables us to fund research and the development of products, services and people.

In Peat Marwick McLintock, however, size does not submerge the skills or ideas of individuals. Within the firm you could join one of our financial management groups of 15 or 20 professionals, or a group of sometimes only four or five who are dedicated to developing and delivering products and services to a particular industry or market sector.

This is consultancy within Peat Marwick McLintock.

If you are a graduate accountant, with excellent post-qualification experience in well managed organisations, and would like to discuss opportunities in consultancy with us, we would be very pleased to meet you.

To enable us to prepare for the discussion, please send a brief C.V. with remuneration history and quoting reference FM/OC7 to Mike Coney.

KPMG Peat Marwick McLintock

Management Consultants
1 Puddle Dock, Blackfriars, London EC4V 3PD

The Morgan Bank is a leading international bank with worldwide operations. In addition to providing banking services, we manage the Euro-clear System which is the world's most important clearing organization for internationally traded securities.

We have career-opportunities in the Integrated Accounting Group of the Financial Division of Euro-clear for (m/f)

THREE UNIVERSITY GRADUATES IN ECONOMICS OR FINANCE ACCOUNTING

(ref. J1)

The Integrated Accounting Group is responsible for management of the corporate financial data base and for financial reporting to local and US Head Office management as well as to Belgian regulatory authorities.

Two of the three positions require 2-3 years experience in the accounting/reporting function of a US multinational or in an international public accounting firm.

In all cases, a reasonable degree of computer-literacy will be necessary, as well as an excellent knowledge of French, good knowledge of English, with knowledge of Dutch being an asset.

ONE ACCOUNTANT

(ref. J2)

who will be initially in charge of tax reporting to Head Office and the Belgian tax authorities. He will become gradually more involved in specialized tax-projects.

We are looking for someone who
- ☐ is between 23 and 25 years of age;
- ☐ has 2-3 years of experience in accounting and/or in tax related work in a large American multinational company or in a public accounting firm;
- ☐ likes to work with numbers;
- ☐ is familiar with Lotus 123;
- ☐ has an excellent knowledge of French, good knowledge of English, with knowledge of Dutch being an asset.

These positions call for highly motivated, achievement-driven persons. We offer a very competitive salary with attractive fringe benefits and real career prospects.

If you recognize yourself in one of these profiles, please send your c.v., together with a recent passport photograph and mentioning the reference of the job you are applying for, to the following address:

Morgan Guaranty Trust Company of New York, Euro-clear Operations Centre for the attention of Mr. M. Hemeleers, rue de la Régence 4, 1000 Brussels.

The Morgan Bank

FINANCE DIRECTOR DESIGNATE

circa £25,000 + Car + Benefits
(Sussex based — Relocation package)

Hackman (UK) Ltd is the UK subsidiary of OY Hackman AB, a Finnish based group of companies who also own a controlling interset in DIY Timber Ltd.

The appointment will encompass the role of Financial Director of Hackman (UK) Ltd and Financial Controller of DIY Timber Ltd. Reporting to the Managing Director the position will be required to provide effective financial and management controls to keep pace with the rapid growth of the company in a dynamic and changing market.

Candidates, probably in their early 30's, will have already made substantial progress with their careers, ideally within a competitive trading environment, and have achieved their professional qualifications. Knowledge of modern computerised accounting systems and their development is essential. Day to day duties will include overall treasury control involving finance, taxation and foreign exchange as well as the supervision of the accounts function.

If you are proactive, like working in a busy environment and are interested in this position, please send a current cv with details of your career to date to:-

Michael Downes, Managing Director,
Hackman (UK) Ltd,
Sheffield Park, Uckfield,
East Sussex TN22 3PR

All applications will be treated in the strictest confidence and are welcomed from candidates irrespective of sex, race or disability.

Consolidate your career on the coast

Group Chief Accountant

c.£23,000 + Car + Profit-Sharing
Ipswich

Our client is a successful PLC with a turnover in excess of £300 million. The group has 3 operating divisions with 10 wholly-owned subsidiaries worldwide and a number of associated companies.

Due to a pending retirement, the group wishes to recruit a Group Chief Accountant who will be responsible for co-ordinating and consolidating all financial plans, forecasts, budgets and accounts; cash and treasury management; salaries; head office accounting and payroll; and the development of micro-computer applications for head office and the operating companies.

Reporting to the Group Financial Director, the successful candidate will be expected to assist in acquisition work as well as liaison with the operating companies.

The requirement is for an energetic qualified accountant with good communication and numeric skills and solid experience in multi-currency consolidations.

This is a unique opportunity to progress your career at a senior level with a successful international company, based in an attractive coastal area. Remuneration and benefits are excellent.

Please send a concise CV with details of your relevant experience to Steve McBride.

ROBSON RHODES

Chartered Accountants

Management Consultancy Division
186, City Road, London, EC1V 2NU.

FINANCIAL CONTROLLER

EC1 AREA

Paper Merchanting
c.£20,000 + Car and Benefits

A recently formed private group of companies in the paper merchanting/broking and allied trades field is looking for a young dynamic, qualified ACA/ACMA to run its Accounts Department and help direct the company into a period of rapid and sustained growth both organic and acquisitive.

Our young team are backed by management determined to modernize its computer system and initiate in-house accounting procedures currently carried out by our accountants.

The successful applicant will be aged 25-28 years old with a strong commercial background, have thorough experience of computerization, and be able to manage and motivate a small team.

Excellent prospects of promotion and direct reporting to the Managing Director.

Write in strictest confidence with full C.V. to
M.F. Jackson, Managing Director,
SALEHURST PAPER COMPANY LIMITED
151, Farringdon Road, London EC1R 3AD.

APPOINTMENTS ADVERTISING

£43

per single column centimetre

Premium positions will be charged £52 per single column centimetre

For further information call 01-248 8000
Tessa Taylor ext 3351
Deirdre Venables ext 4177
Paul Maraviglia ext 4676
Elizabeth Rowan ext 3456
Patrick Williams ext 3694